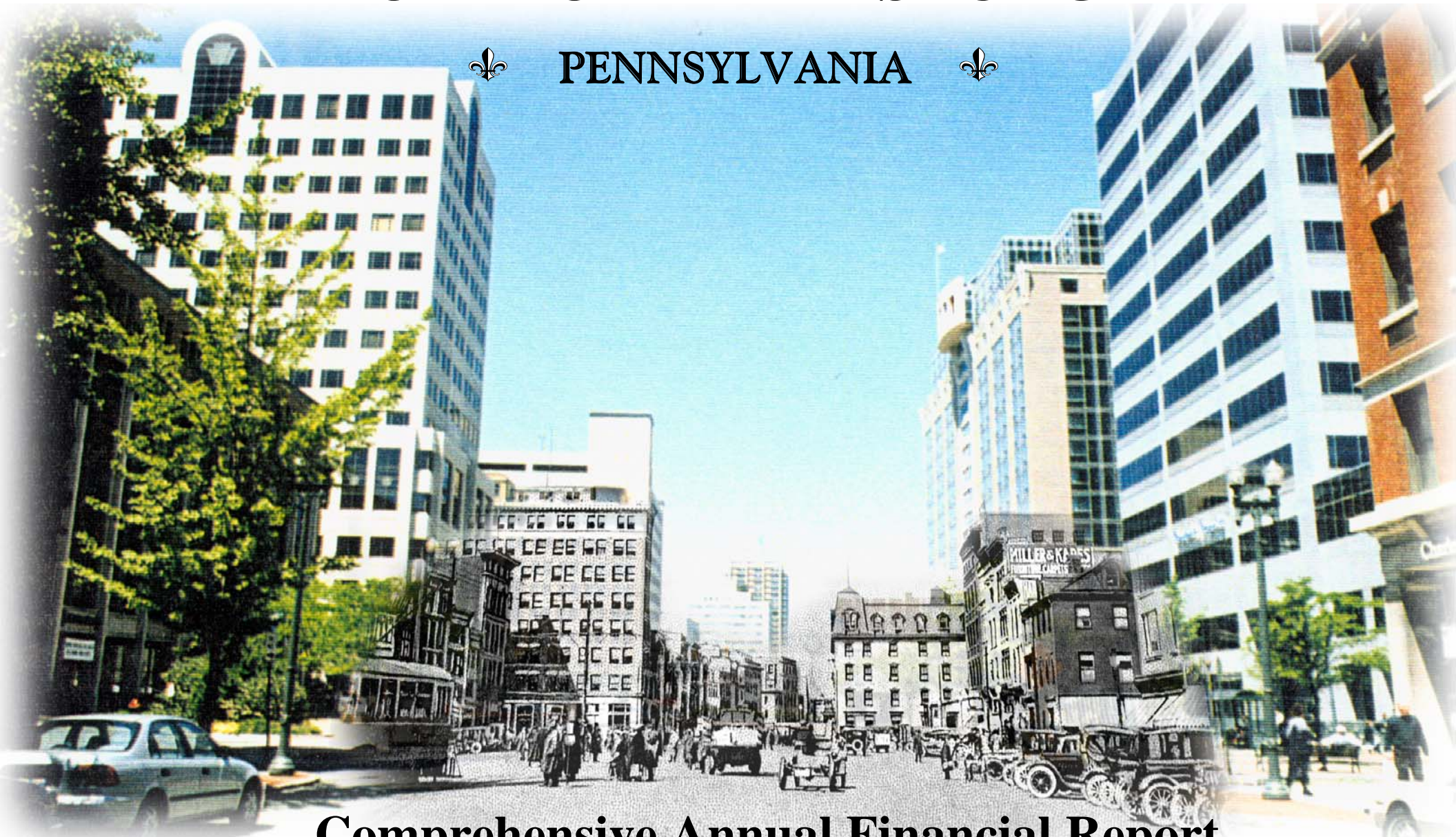


CITY OF HARRISBURG



PENNSYLVANIA



**Comprehensive Annual Financial Report
Fiscal Year Ended December 31, 2003**

CITY OF HARRISBURG, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED DECEMBER 31, 2003

MAYOR

Stephen R. Reed

CITY COUNCIL

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John H. Wright, Vice President
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Vera W. Reynolds
Patricia L. Stringer
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Eric L. Waters

CITY CONTROLLER

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CITY TREASURER

Paul P. Wambach

DEPARTMENT OF ADMINISTRATION

Linda Lingle
Business Administrator

PREPARED BY:
BUREAU OF FINANCIAL MANAGEMENT

Robert F. Kroboth, CGFM
Deputy Business Administrator

William P. Leinberger, CMA
Accounting Manager

Lisa M. Holland
Assistant to the Business Administrator

Ginger S. Miller
Budget Manager

Nancy V. Hoffman
Auditor II

Yolanda M. Jones
Budget/Management Analyst II

Shanti R. Shah
Fiscal Officer II



FOREWORD

The City of Harrisburg (City) has become an example of urban resurgence at a time when many of America's cities continue to undergo further decline and serious economic stress. Harrisburg's renewal has been multi-faceted, touching virtually every area of city governmental and community endeavor.

Listed as the second most distressed city in the nation in 1981 under federal distress criteria, Harrisburg launched, in 1982, a major change in course based on three priority pursuits: reform of city government, development of non-tax revenue sources, and aggressive economic development. These remain this City's priorities.

The resultant success of these efforts is, in part, reflected by the various national and state recognitions Harrisburg has received from independent private-sector, professional, civic, and governmental bodies.

In the past sixteen years, Harrisburg has each year attained the highest national award for governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting. The City has also won the highest national award for budgeting, the Distinguished Budget Presentation Award, for the past thirteen consecutive years. Today, only three of the 2,638 Pennsylvania municipalities can claim the distinction of presently holding both recognitions.

In city governmental management, the City has become a nationally recognized leader in insurance and risk management and in the application of advanced technology to expand and create more efficient municipal services. The City's program to control health care costs has been cited as a pioneer example by hospital associations and has been recognized with the State Achievement Award from the Hospital Association of Pennsylvania.

Harrisburg's Police Bureau has attained and retained National Police Accreditation, the highest recognition in law enforcement. Of over 21,000 police agencies nationwide, less than 600 hold national accreditation. In July 2003, Harrisburg also obtained Pennsylvania Law Enforcement Accreditation and is one of only seven agencies to have the distinction of holding dual accreditation. Additionally, the City today has the second lowest ratio of police officers to resident population of any community in Pennsylvania – one officer for every 290 residents. Officers now have the benefit of the largest police vehicle fleet ever operated by Harrisburg, and innovations, such as Community Policing Centers, bicycle patrols, crime prevention programs, mounted patrols, canine corps, and the new field computer and computer-aided-dispatching systems, have considerably increased police field capabilities and effectiveness.

The City has become the first fire service in Pennsylvania to establish a certified multi-level firefighter apprenticeship-training program.

In the period of 1981 through 2003, the City's Part I crime rate has dropped 56.5%. In the period of 1982 through 2003, the City's fire rate has dropped 76.3%.

The extensive parks improvement program undertaken by the City, resulting in the creation of expanded and new recreational facilities of regional benefit, has garnered Tree City U.S.A. designation for the past sixteen consecutive years. The City of Harrisburg is the first community in the region to achieve the award this often. The State Department of Environmental Protection conferred on Harrisburg the Samuel S. Cobb Award of Excellence, the state's highest award for urban forestry and conservation. The City's park sites and special events attracted over 2.3 million attendees in 2003. Further, amongst the City's environmental policies, the Executive Order banning the use of tropical rainforest woods in any City-related project is now being used as a worldwide model of municipal action.

The City's Advanced Wastewater Treatment Facility operated by the City and serving seven municipalities, was selected for the nation's highest water pollution control award when it received the First Place National Pretreatment Award from the U.S. Environmental Protection Agency.

Harrisburg, through the issuance of self-liquidating revenue bonds, has built and today operates various revenue-producing facilities, involving generation of steam and electricity from the incineration of municipal solid waste and the generation of electricity from the burning of methane gas. Processing innovations have allowed the City-operated Advanced Wastewater Treatment Facility to contract for the processing and disposal of raw sludge from other plants. The City is today less reliant upon real estate and other taxes to sustain its operations. In fact, only 17.1% of the total 2003 Budget was funded by taxes.

Harrisburg is one of only two communities in Pennsylvania to receive three upgrades from the Federal Emergency Management Agency's Flood Insurance Administration. These upgrades have occurred as a result of the City's ongoing flood plain management and emergency management programs, producing a total 15% reduction in flood insurance premiums annually for all City property owners. Harrisburg places in the top twenty-five percent of communities in the nation in its rating.

Since 1982, over \$3.4 billion in new investment has occurred in Harrisburg with over two-thirds of that total having been developed since 1991. Net gains in the number of businesses, livable homes and private-sector jobs have reversed nearly three decades of previous decline. The unemployment and vacant property rates have dropped in the same time period. Property values have appreciated significantly overall in the 1982-2003 period, from \$212 million in 1982 to \$1.7 billion in 2003, marking the first increases in thirty years. The City's resident workforce has grown in the past twenty years and, in addition to a 38% reduction in unemployment, there are approximately 1,700 more City residents now employed full-time both within and outside the City.

The number of businesses on the City's business and mercantile tax rolls, which was 1,908 in 1981, is now 6,951, the highest number ever recorded.

In 2003, the City issued a total of 1,748 building permits representing more than \$351 million in new investment. This was the highest level of new investment in any year in City history.

The U.S. Conference of Mayors selected Harrisburg as one of eight Profile Cities in the nation as an example of successful economic development, a designation which included focus on success in minority contracting and the start-up and expansion of minority-owned business enterprise (MBE). Harrisburg's total expenditures involving MBE's are greater than those of any other community in the state.

Harrisburg is third only to Philadelphia and Pittsburgh, cities considerably larger, in the amount of certified historic rehabilitation in Pennsylvania. The restoration of existing structures is a key part of the City's economic development and historic preservation programming that is essential for older, more densely developed cities and towns. Seven areas of the City have been designated national historic districts, allowing investment protection, design standards, and investment tax credits for the rehabilitation of income-producing structures. Additionally, another area of the City is now a Conservation Overlay District, which has most of the standards of the historic districts.

Harrisburg's recent progress and its planning for the future were the basis for the City being named one of the few municipalities in the nation, among stiff competition involving over 500 communities, as a Federal Enterprise Community by the President of the United States. This ten-year designation infuses at least \$31 million in non-city public funds into the large area of the City encompassed within the Enterprise Community boundary and gives the City priority and preferential treatment in seeking various federal and state funds. The designation also allows the City to secure waivers of various federal rules, as well as special treatment and exemptions under the U.S. Tax Code for economic development projects.

The City's economic development policies and programs provide a range of investment incentives and include first-of-a-kind types of project financing. Harrisburg, for example, was the first in the nation to issue Mortgage Tax Credit Certificates, which provide eligible home buyers an annual return of up to 50% of the interest paid on the mortgage each year, for the life of the mortgage, with the remaining interest payments staying federally tax deductible. The City operates the only Vacant Property Reinvestment Program in the state through which structurally sound but blighted properties owned by absentee owners are seized for restoration and resale to responsible, new buyers. Harrisburg devised and is today conducting the first lease-to-own home buying program in the state for newly built townhouses, offering reduced closing cost assistance and applying rental payments toward the homebuyer's down payment.

The summation of results from the City's work in the past twenty-two years is the following:

- the city's tax base has expanded to its highest level ever
- the unemployment rate amongst city residents is at its lowest in over three decades, with a 25% increase in the number of city residents employed
- the crime rate has dropped to its lowest level in over 31 years
- the fire rate has declined to its lowest number since citywide records have been maintained
- the number of businesses on the tax rolls is at its highest number ever and more than triple the number that existed in 1981
- the occupancy rate for Class A and Class B+ office space is the best in at least 30 years
- the number of vacant structures has declined to its lowest number since before the 1972 Agnes Flood

The federal policies and social practices which have made American cities the nation's depository for society's unwanted and unresolved socio-economic problems continue to present all cities with significant challenges and burdens not shared by their suburban neighbors. Exacerbating this circumstance for Harrisburg is the presence of extensive tax-exempt holdings of the state government and others, whose presence creates significant demand and use for municipal services paid for by others' taxes. Still, the progress of recent days in Harrisburg has created a firm foundation on which future progress will be achieved.

The City looks to the future with far greater optimism and hope than how it entered the 1980's, when this city was afraid of its own future.

With increased spirit, vitality and vision, the City of Harrisburg is pleased to offer this 2003 Comprehensive Annual Financial Report for your information.

With warmest personal regards, I am

Yours sincerely,

A handwritten signature in black ink, appearing to read "Stephen Reed", with a stylized flourish at the end.

Stephen R. Reed
Mayor

CITY OF HARRISBURG, PENNSYLVANIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal year ended December 31, 2003

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The City of

Department of Administration



Harrisburg

Bureau of Financial Management

September 28, 2004

To The Honorable Stephen R. Reed, Mayor,
Honorable Members of City Council, and
Citizens of the City of Harrisburg, Pennsylvania

The Comprehensive Annual Financial Report (CAFR) of the City of Harrisburg, Pennsylvania, for the year ending December 31, 2003, is submitted herewith. This report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States by a firm of licensed certified public accountants.

The financial statements herein were prepared by the City's management, which is responsible for both the accuracy of the data presentation and the completeness and fairness of this report taken as a whole. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Harrisburg's financial statements in conformity with GAAP. Because internal controls should not outweigh their benefits, the City of Harrisburg's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free of material misstatement. The data presented, we believe, is accurate in all material aspects; all disclosures necessary to enable the reader to acquire the maximum understanding of the City's financial activity have been provided.

The City of Harrisburg's financial statements have been audited by McKonly & Asbury, LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Harrisburg for the year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Harrisburg's financial statements for the year ended December 31, 2003, are fairly presented, in all material respects, in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

**Rev. Dr. Martin Luther King, Jr. City Government Center
10 North Second Street • Harrisburg, PA 17101
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As recipient of federal and state financial assistance, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and independent accountants' reports on the internal control structure and compliance with applicable laws and regulations for the year ended December 31, 2003, will be included in a separately issued document.

PROFILE OF THE GOVERNMENT

The City provides a full range of services which include police and fire protection; water supply and distribution; sewage collection, conveyance and treatment; sanitation and incineration services; the construction and maintenance of streets and infrastructure; community and economic development programs; and recreational activities and cultural events. In addition to general governmental activities, City officials appoint voting board members and have other financial accountability for the City of Harrisburg Leasing Authority, The Harrisburg Authority, the Harrisburg Parking Authority and the Coordinated Parking Fund; therefore, these activities are included in the financial reporting entity. However, the City of Harrisburg Housing Authority, Harrisburg Redevelopment Authority, Harrisburg Development Corporation, and Harrisburg School District have not met the established criteria of GASB Statement No. 14 for inclusion in the financial reporting entity and accordingly are excluded from this report. Additionally, the City is a participant with other municipalities in a joint venture with the Cumberland-Dauphin-Harrisburg Transit Authority that provides bus services to all its participants.

The City of Harrisburg has been the capital of the Commonwealth of Pennsylvania since 1812, as well as the County Seat of Dauphin County since the County's creation in 1785. It is the center of the Harrisburg-Lebanon-Carlisle Metropolitan Statistical Area (MSA), which is composed of the four Central Pennsylvania counties of Dauphin, Cumberland, Lebanon, and Perry. The MSA was the second fastest growing area in Pennsylvania this past decade.

The Harrisburg area has a diverse economic base. During 2003, 36% of the labor force of the Harrisburg Labor Market Area was employed in the services sector; 19% in the government sector; 15% in the wholesale and retail trades; 6% in transportation; 10% in the manufacturing industries; 7% in finance, insurance and real estate; 4% in construction and mining; and 2% in information and technology.

Harrisburg continues to experience a sustained economic resurgence unsurpassed in its history with over \$3.4 billion of capital investment by the private and public sectors and over 30,429 building permits issued in the City since 1982. In 2003 alone, the City issued 1,748 building permits totaling over \$351 million in new investment. Some of the major new construction projects recently completed or underway include the Market Square Plaza (311,276 square feet), 211 Associates (100,381 square feet), Paxton Commons II (50,000 square feet), GR Development (33,785 square feet), Pennsylvania Sports Hall of Fame (30,000 square feet), Capitol Heights Development (170 units). In addition, significant rehabilitation projects recently completed or underway include the Pennsylvania State Farm Show Complex (171,000 square feet), 1100 South Cameron Street (41,389 square feet), and Mt Pleasant Plaza (14,356 square feet).

In addition to the above service, governmental, housing, and hotel industry gains, the completion of Commerce Bank in 2002 represents expanded operations of a major regional banking institution in downtown Harrisburg, which, combined with various other banking institution additions or expansions in the City since 1987, underscores the City's emergence as the financial center for this region of the state. Such growth has had a positive effect on employment and the City's tax base. Compared to the statewide unemployment rate of 5.6 % in 2003, the local unemployment rate was only 3.8%. Since Dauphin County increased the assessment ratio to 100% of appraised value effective January 1, 1986, the total appraised value of taxable property in the City increased 17.6% through 2001.

In 2001, the County of Dauphin completed a court ordered reassessment on all property county-wide. This reassessment resulted in nearly a 100% increase on the appraised value of taxable property effective January 1, 2002. The financial impact of these events is discussed throughout this letter and has impacted positively on the financial statements.

Harrisburg has become the region's center for commerce, transportation, finance, special events, public recreation, the arts, and government. The City's resurgence has reversed nearly three decades of previous decline and produced a new vitality that can be seen in the spirit, amenities, and growth spreading throughout this metropolitan center in Central Pennsylvania.

Looking ahead, the economic future of the City appears to be bright. Projected expansion of the tax base; continued increases in business, housing and educational activity; and the financial commitment of the private sector to downtown revitalization indicate long-term growth and continued financial stability.

Budgeting Controls

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, State Liquid Fuels Tax Fund (a nonmajor governmental fund), Debt Service Fund, and all enterprise funds, except Harrisburg Senators Enterprise Funds, are included in the annual appropriated budget. Grant programs, accounted for in the Grant Programs Fund, are administered under project budgets which are determined by contracts with federal and state grant agencies. The appropriations are authorized by ordinance at the fund level, with the exception of the General Fund, which is appropriated at the functional office or department level, except for the Department of Administration, which has separate budgets for administration and general expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets.

Fiscal control is achieved in the Capital Projects Fund through provisions of bond indentures and ordinances authorizing appropriations at the project level. Control over expenditures in the Parks and Property Improvement Fund is achieved by the use of internal spending limits. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end. However, encumbrances generally are reappropriated as part of the following year's budget.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues meeting its responsibility for sound financial management.

Debt Administration

At December 31, 2003, the City had a number of debt issues outstanding. Debt of the primary government totaling \$105,866,048 included \$65,279,042 of general obligation bonds, \$35,954,206 of General Obligation Refunding Notes, \$105,000 of lease revenue notes, \$627,800 of Pennsylvania Infrastructure Bank Loans and \$3,900,000 of promissory notes. Revenue bonds and notes totaling \$455,478,346 made up the debt of the component units.

Under current state statutes, the City's debt limitation is based on a percentage of average total revenues for the past three years. As of December 31, 2002, the City's net bonded debt outstanding of \$97,605,314 was well below the legal limit of \$161,979,986.

The ratio of net general bonded debt to assessed property valuations and the net general bonded debt per capita are useful indicators of the City's debt position. As of December 31, 2003, the ratio of net general bonded debt to assessed property valuations decreased from 7.07 to 5.82. The net general bonded debt per capita was \$1,991.97, a decrease of \$465.25 from 2002. These decreases were due to refunding of a \$25,190,000 THA Guaranteed Resource Recovery Notes, Series A and B of 2000.

On October 3, 1995, the City issued \$12,455,000 General Obligation Bonds, Series A of 1995, to advance refund outstanding 1991 General Obligation Bonds ultimately issued to refinance the costs of constructing a new City Hall, two new fire stations, the purchase and renovation of a public safety services center and a 1983 funding of unfunded debt for the Sanitation and Incinerator Utility Funds. It has a nine-year term and is currently repaid by General Fund real estate taxes and user fees from the Sanitation Utility Fund on a pro-rata share basis. A portion of the proceeds received from the 1993 sale of the HRRF to THA were set aside in the Debt Service Fund to provide for the Incinerator Utility Fund's remaining debt service share. The original 1979 General Obligation Bond proceeds allowed construction of all four projects simultaneously.

On December 28, 1995, the City issued Federally Taxable General Obligation Bonds, Series A and B of 1995, in the aggregate principal amount of \$35,734,416 to fund the City's unfunded actuarial accrued pension liability with deposits to the applicable City pension plans and for the payment of all costs and expenses related to the issuance of the Bonds. The bonds were partially refunded by issuance of the Series E Bonds of 1997, as discussed below.

On January 10, 1996, the City issued \$7,200,000 General Obligation Notes, Series of 1996, the proceeds of which were utilized to purchase the Harrisburg Senators minor league baseball team. The Notes matured on January 5, 1998, and were repaid through the issuance of \$8,000,000 General Obligation Bonds, Series A1 of 1997.

On May 6, 1997, the City entered into a supplemental PNC Caps Agreement with PNC Bank, THA, and Milt Lopus Associates, Inc. in order to provide for refunding the City's \$25,000,000 General Obligation Bonds, Series of 1995, by issuance of the Series C1 Notes; provide for the partial refunding of the City's \$15,000,000 General Obligation Note of 1995 by issuance of the Series B1 Bonds; and for payoff of the Federally Taxable General Obligation Notes, Series A of 1996, by issuance of the Series A1 Bonds. The City, in conjunction with the Harrisburg Leasing Authority, also issued the Guaranteed Lease Revenue Note, Series A of 1997, in order to provide funds for the purchase of 25 fully equipped police vehicles and various fire safety equipment for an amount not to exceed \$650,000 less issuance costs.

On December 30, 1997, the City issued various new bond issues in order to reduce interest expense on outstanding debt and to fund additional capital projects. As mentioned earlier, the General Obligation Bonds, Series B1, were issued in July 1997 to fully repay the 1995 \$15,000,000 General Obligation Note. On December 30, 1997, \$24,891,772 General Obligation Refunding Bonds, Series D, were issued to advance refund the Series B1 Bonds for the entire \$22,195,000 in principal. Also on December 30, 1997, \$12,840,000 General Obligation Refunding Bonds, Series E, were issued to advance refund a portion of the Federally Taxable Series A Bonds of 1995 (Pension Bonds).

Also on December 30, 1997, the City issued General Obligation Refunding Notes, Series F of 1997, in the amount of \$26,632,303. The Notes were issued to currently refund all of the City's \$25,000,000 General Obligation Bonds, Series of 1995, and provide funding for certain capital projects such as the building for the National Civil War Museum, street and alley repaving, and additional parks/playground improvements throughout the City.

On June 10, 2003, the City issued Pennsylvania Infrastructure Bank Loans, Series A, B, and C of 2003, in the amount of \$627,800. These Loans were issued for the purpose of providing funds to apply for and towards various transportation infrastructure improvement projects including the Hamilton Street Intersection Project at Sixth Street, the State Street Intersection Project at Reservoir Park, and the purchase and installation of energy-saving LED traffic signal lenses for approximately 24 intersections in the City. These Loans have a term of 10 years and are being paid from General Fund real estate taxes.

On August 1, 1998, THA issued Guaranteed Resource Recovery Facility Refunding Revenue Bonds A, B and C of 1998 and Guaranteed Taxable Resource Recovery Facility Refunding Revenue Bonds Series D of 1998 for a total of \$55,765,000. The purpose of the refunding was to advance refund the 1993 bonds, prepay the Authority's Pennsylvania Pool Financing Loan of \$7,943,274, refund the \$3,000,000 Revenue Note of 1997 and to provide for the reserves under the Bond Indenture.

THA issued \$1,515,173 Guaranteed Sewer Revenue Notes, Series A, B, and C of 1998 to finance the sewage collection system and related sewage infrastructure. In 1999, additional funds were drawn totaling \$1,812,086, to finance collection system projects.

On December 15, 2000, The Harrisburg Authority issued Series 2000 A and B, Guaranteed Resource Recovery Notes, which totaled \$25,195,000. The net proceeds provided \$19,442,601 to THA. The Authority paid the City a guarantee fee of \$4,226,909 which was included in 2000 General Fund revenue. The proceeds from the Notes were used to advance refund a portion of the 1998 B and 1998 D Bonds. In addition, the "2000 Capital Project", to be funded by the Notes, consisted of the acquisition of equipment to increase the efficiency of operations of the HRRF and engineering studies to evaluate the environmental and economic feasibility of undertaking a major retrofit of that facility. These Notes are considered defeased as of December 31, 2003.

In May 2001, The Harrisburg Authority issued Series 2001 A, Water Revenue Bonds, which totaled \$7,400,000. The net proceeds of \$7,076,345 were used for and toward capital additions to the water system, consisting of two 5 million gallon concrete water storage tanks, repair or replacement of raw water valve stems and valve stem guides within the intake tower at the Authority's DeHart Dam facility, repair or replacement of the concrete floor slabs and expansion joints constituting the DeHart Dam spillway and certain other miscellaneous capital projects; provision of funding for completion of the 1999 capital project, consisting of the acquisition and installation of new meters equipped with radio transmitters and installation of radio-frequency, drive-by meter reading system; the establishment of necessary reserves under the Trust Indenture; and the payment of costs and expenses associated with the issuance of the 2001 Bonds.

On July 3, 2002, The Harrisburg Authority issued Series A, B, C, and D, Water Revenue Bonds which totaled \$48,825,000. The proceeds of these 2002 Bonds were used to advance refund the outstanding Water Revenue Bonds, Series A of 1999; to purchase from the owner, all of the outstanding Water Revenue Refunding Bonds, Series B of 1999; to purchase from the owner, all of the Federally Taxable Water Revenue Refunding Bonds, Series C of 1999; to current refund debt service of the 1994 Bonds due and payable in 2002; to refund the debt service on the outstanding 1994 Bonds due and payable in 2003; to fund the 2002 debt service reserve fund account for the 2002 Bonds; and to pay issuance costs. Of the remaining proceeds, \$7.3 million was placed in irrevocable trusts with an escrow agent to provide for future debt service on the Series A of 1999 Bonds and a portion of the 1994 Bonds with maturities through 2003.

In August 2002, The Harrisburg Authority issued Series A, Guaranteed Resource Recovery Notes which totaled \$17,000,000. The proceeds of the notes were used to fund the acquisition of equipment for the Waste Management Facility, engineering studies, and working capital.

In July 2003, The Harrisburg Authority issued Series A of 2003, Water Revenue Bond which totaled \$56,535,000. The proceeds of the bonds were used to advance refund the outstanding 1993 Water Revenue Bonds, Series B.

On December 30, 2003, The Harrisburg Authority issued Series A, D, E, and F of 2003, Guaranteed Resource Recovery Facility Revenue Bonds in the amount of \$147,555,000. The Series A bonds, which totaled \$22,555,000, were issued to advance refund or otherwise retire all of the outstanding 1998 D Bonds and all of the outstanding 2000 Notes; and to fund working capital to assist in paying costs of compliance with the Derating Agreements and of maintaining the site of Waste Management Facility. The Series D bonds, which totaled \$96,480,000, were issued to financing the cost of the retrofit of the facility. The Series E bonds, which totaled \$14,500,000, were issued to pay transition cost of operating the Transfer Station Resource Recovery

Facility and the construction period for the Retrofit. The Series F bonds, which totaled \$14,020,000, were issued to provide working capital to The Harrisburg Authority to pay estimated interest on outstanding 1998 A Bonds, 2002 Notes, and 2003 Notes during the construction period for the Retrofit.

In 2003, The Harrisburg Authority issued Series B and C of 2003, Guaranteed Resource Recovery Notes in the amount of \$53,370,000. The Series B notes, which totaled \$29,085,000, were issued to advance refund or otherwise retire a portion of the 1998 A Bonds and a portion of the outstanding 2000 A Notes. The Series C notes, which totaled \$24,285,000, were issued to advance refund or otherwise retire a portion of the 1998A Bonds, all of the outstanding 1998 B Bonds and 1998 C Bonds, and a portion of the 2000 A Notes and all of the outstanding 2000 B Notes.

On December 22, 2000, the Harrisburg Parking Authority issued Guaranteed Parking Revenue Note, Series K of 2000, in the aggregate principal amount of \$11,800,000 with a variable interest rate to provide funding for the costs of completing the construction of three new parking garages in the Downtown area.

On September 19, 2001, the Harrisburg Parking Authority issued \$29,400,000 Guaranteed Parking Revenue Bonds, Series J of 2001, to advance refund \$25,785,000 of outstanding Series I Bonds of 1998. The Series I bonds were issued to undertake a project consisting of acquisition, design, development, and construction of three new parking garages to be located in the central business district and on City Island. The net proceeds of \$28,626,025 were used to purchase U.S. Government Securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series I Bonds.

On December 15, 2001, the Harrisburg Parking Authority issued \$19,500,000 Guaranteed Parking Revenue Bonds, Series of 2001, to provide for the acquisition of the Seventh Street Garage, funding of a debt service reserve fund under the Harrisburg Parking Authority indenture, and the payment of the costs of issuing the Bonds.

In 2003, the Harrisburg Parking Authority issued \$7,905,000 Guaranteed Parking Revenue Refunding Bond, Series N of 2003, to advance refund \$7,400,000 of outstanding Series F Bonds.

In 2003, the Harrisburg Parking Authority issued \$ 17,780,000 the Guaranteed Parking Revenue Refunding Bonds, Series O of 2003. The O Series were issued to purchase U.S. Government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series H Bonds.

Cash Management

The City's current investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. All cash that is temporarily idle is invested in interest bearing demand deposits or in a state-wide money market fund, thereby increasing the average yield on idle funds. A significant portion of the City's cash and investments are maintained in bank trust accounts under the management of trustees. This cash is classified under "Restricted Assets" in the financial statements.

The City had \$118,606 of investment income in 2003, which represented earnings of \$78,620 for the governmental activities and \$39,986 for the business-type activities.

Investment income of the component units totaled more than \$3.0 million, which represented earnings of The Harrisburg Authority, the Harrisburg Parking Authority, and the Coordinated Parking Fund of \$2.2 million, \$0.9 million, and \$8,554, respectively. These accounts are primarily restricted trust accounts, made up of mostly U.S. Treasury obligations and interest coupons on U.S. Treasury obligations.

An ordinance of City Council requires that all deposits be held in insured, federally regulated banks or financial institutions and that all amounts in excess of federal insurance be fully collateralized in accordance with state statute, which requires banks to pledge a pool of eligible assets against the total of its public funds on deposit. Although such pooled collateral does not constitute a multiple financial institution collateral pool as defined in GASB Statement No. 3, City management believes collateralization in accordance with state statute adequately protects the City's deposits.

Risk Management

The Office of Insurance and Risk Management (OIRM) is responsible for the evaluation and acquisition of appropriate insurance coverage for the City. This involves the negotiation and procurement of all insurance coverage agreements and third-party insurance adjusters for traditional insurance and self-insurance programs including general liability, public officials liability, workers' compensation, police professional liability, automobile, property, fire, flood, business interruption, and boiler and machinery coverage. This office, in conjunction with the City Solicitor's Office on litigation cases, processes all insurance claims and submits them to the appropriate insurance companies for consideration. Additional program responsibilities include risk financing, special risk administration, employee health and safety matters, and acting as a member of the Administration's labor contracts negotiating team focusing primarily on insurance and workplace injury issues.

An important mission of this office is to provide a loss control strategy so as to limit potential hazards or damages by allowing elected and administrative officials of the City to gain greater control over financial losses caused by these circumstances. This strategy includes the examination, inspection, and evaluation of all City facilities, activities, procedures and policies.

The OIRM is also responsible for the management and administration of all facets of the workers' compensation program including report preparation, claims processing, and medical service monitoring. In fact, the City has an aggressive citywide program earmarked to lower workers' compensation costs. The program, which has significantly lowered costs, brings employees who have been on long-term disability leave back to gainful employment positions. These employees, who have been released by their primary physician, perform light-duty assignments for different departments within the City. This not only cuts back on the costs associated with idle workers, but also contributes to the productive operations of the City. This program received the top award from the Hospital Association of Pennsylvania in its Managed Care Category.

Pension Plans

The City contributes to the Pennsylvania Municipal Retirement System (PMRS), an agent multiple-employer public employee retirement system, and to the combined Police Pension Plan, a single-employer pension plan. Four pension plans have been established covering substantially all full-time employees. During 2003, the contribution to these plans by the Commonwealth of Pennsylvania amounted to \$107,728. As of January 1, 2003, the date of the most recent actuarial valuation, there was an unfunded actuarial accrued pension liability in the amount of \$1,953,171.

FACTORS AFFECTING FINANCIAL CONDITION

Major Initiatives for the Year

Comprehensive planning efforts will result in a new citywide Land Use Plan and Zoning Code. Guides to the new Zoning Code will be made available to the public in printed form and placed on the City Website. Continuing neighborhood strategies highlight comprehensive approaches to stimulate revitalization and reinvestment in the City, including three separate urban renewal plans to achieve significant project areas. Future plans include Summit Terrace, Central Allison Hill, and the East End neighborhoods. Accessibility

Guidelines, a project recommending methods to create equal access and spur additional commerce within the City, will be completed in 2004.

The Geographic Information System (GIS), an electronic database that matches population, property status, utilities, regulatory districts, neighborhoods and more, to geographic locations throughout the City, continues to be further developed. Color aerial photography, acquired during 2003, has been linked to this system to update the City's building footprint file. Refinements have been made to the City's community calling system (Dialogic Communications Corporation), which alerts City residents and property owners through an automated system to warn of emergency situations. It will continue to be a major emergency resource. The engineering firm of Skelly & Loy is coordinating a joint effort by the City of Harrisburg and the Borough of Steelton with the County of Dauphin to electronically transfer real estate information between GIS and other computer systems to reduce City and County information processing costs.

After nearly two years of planning, programming, and installation, the Police and Fire Bureaus began using the City's new Computer Aided Dispatch (CAD) System in 1993, which was further enhanced during 2003. With computer terminals placed in police and fire vehicles and at supervisory offices, CAD accelerates data transfer to field units and allows officers and firefighters in the field to access the City's extensive database of police, property and other records, while also providing a faster means for reports to be electronically prepared and instantaneously entered into this database. This system eliminates many manual tasks such as the entry of police report information and provides greater confidentiality of dispatched information.

During 2003, the City continued a major capital improvements initiative, begun in 1990, spending remaining bond and note proceeds from previous financings and other appropriated sources for mural projects throughout the City, "Welcome" signs posted at major entryways to the City, and upfront costs of the Capital Heights Housing Development.

Maintaining an aging water distribution system and acquiring a secondary source of water were major concerns of the City. Additionally, recent amendments to the U.S. Clean Water Act mandated water filtration for surface water supplies. To address these issues, the City developed a water system improvement plan. The plan called for the construction of a raw water intake and pump station to take water from the Susquehanna River as a secondary or back-up water source, placement and replacement of transmission lines, construction of a 20 million gallon-per-day water filtration plant, reservoir gate house improvements, and distribution system modifications. On March 1, 1990, The Harrisburg Authority (the Authority) issued a \$50 million Water Revenue Note, Series A of 1990, to be secured by user fees to provide for a \$7 million payment to the City as partial consideration for the sale of the water system to the Authority and to improve the water system as indicated above. Through formal management and subsidy agreements between the City and the Authority, the City retained responsibility for operating the system and ultimately received a lump sum subsidy payment of \$41 million in 1992. This payment came from proceeds of water revenue bonds issued by the Authority in 1992 as the remaining consideration for the sale of the water system to the Authority. This arrangement provided for long-term capital improvements that continued into 2003 and represents the first major water system improvement program in 50 years.

As previously noted, the City's taxable assessed valuation has increased significantly since the mid-1980's but more slowly than economic development indicators such as building permit revenue would suggest. This is attributable to a tax abatement ordinance in effect since 1980, which is considered to be the centerpiece of the City's long-term economic development plan, as well as constraints imposed by ineffective state assessment laws that are badly in need of reform. During 2001, the County of Dauphin completed the first county-wide reassessment since 1972, and the new values became effective with the January 2002 tax year. These reassessed values total over \$3.0 billion, or nearly a 100% increase over the last assessment, more accurately reflecting market values of all properties within the City.

Major Initiatives for the Future

New construction in the City continues at a healthy pace with private and public sector developers investing over \$269.7 million in a variety of projects currently underway. These projects, when completed, will provide approximately 800,000 square feet of new office, retail, arts and entertainment, and parking space in addition to 140 residential units.

One of these projects includes a 18-story, approximately 311,000 square feet office/parking tower, to be built on Market Square Plaza during 2004 with an expected completion date of January 1, 2005. The building will include a first floor retail arcade and the second story will connect to the Hilton Harrisburg and Towers, providing additional convention and meeting space for the hotel.

The City has also taken steps to capitalize on the recent resurgence of light manufacturing activity in south Harrisburg with plans to create an industrial park. It is anticipated that expansion of infrastructure such as the rehabilitation of the Shanois Street bridge and the Sycamore Street bridge, as well as the extension of water and sewer lines, will further stimulate light industrial development. The Harrisburg Enterprise Development Corporation (HEDCO) completed negotiations with Ritter Properties, Inc. for the development of a 50,000 square foot flex space facility at the intersection of Cameron and Sycamore Streets in the City's Enterprise zone. Ritter Properties has secured Dauphin County as a tenant for the entire building to house its Mental Health/Mental Retardation Department. As the facility is privately owned, it generates tax revenues for the City, County, and the Harrisburg School District. The building was completed in December 2003.

In November 1986, the Pennsylvania Department of Environmental Protection (DEP) notified the Authority that sewer modifications would be required for both the conveyance and treatment systems to allow for increased hydraulic capacity. This was, in fact, due to the significant growth that had occurred in the service area in the early 1980's. In response to DEP's mandate, the Authority issued revenue bonds supported by user fee increases in January 1988, to increase the physical size of the conveyance system, reduce extraneous flows entering the conveyance system, improve sludge processing capabilities, and increase the hydraulic capacity of the treatment facility. Improvements to both systems began in 1988 and were completed in 2001. These improvements are projected to meet the requirements for future growth within the sewage conveyance and treatment system to the year 2012 as well as enhance revenue collection.

Beginning with 1993, the County of Dauphin, for the first time, assessed two City hospitals (now Pinnacle Health Systems) as taxable entities at values totaling \$76.9 million and a tax levy of nearly \$1.0 million. The City neither received revenue as a result of the assessment nor included such in its annual budgets. Both hospitals challenged their assessments as taxable entities, and on March 23, 1995, Dauphin County Court of Common Pleas granted their petition to remove property from the assessment rolls and to strike the tax assessment with respect to 1993 only. Both hospitals appealed with respect to 1994, 1995, 1996 and 1997 to the Commonwealth Court. The decision was upheld in January 1998. The hospitals appealed this ruling to the Pennsylvania Supreme Court. Prior to resolution of this matter by the Pennsylvania Supreme Court but after passage by the General Assembly of a new charitable exemptions law under which the hospitals were certain to qualify, the parties reached an agreement. The terms of the agreement covered 1994-2001 and provided that the subject property would be listed as tax exempt. The parties agreed to payments in lieu of taxes (PILOT) to be made to the taxing jurisdictions by Pinnacle. Because Pinnacle has refused to negotiate any further payments to the City in lieu of real estate taxes after 2001, in January 2002, the City sought to have certain Pinnacle properties placed back on the tax rolls, while at the same time, Pinnacle applied to the Dauphin County Board of Assessment Appeals for an exemption of its real estate. After conducting hearings, the Board, on May 31, 2002, denied Pinnacle's application for exemption. Pinnacle has appealed the Board's decision to the Dauphin County Court of Common Pleas, which in January 2003 scheduled a hearing on Pinnacle's appeal, to be held in the fall of 2003. Prior to the Fall 2003 hearing, the parties were able to reach a new PILOT Agreement that covers tax years 2002 through 2007. The PILOT Agreement calls for Pinnacle to make payment of 10% of the taxes for the subject properties in the amount of \$445,450 (63.90% - School; 20.84% - City; 15.26% - County) with an

additional amount of \$51,188 for the property at 2601 North 3rd Street to be proportionally distributed among the taxing jurisdictions in the same way until such time said property is sold. There is an automatic renewal to this Agreement following the 2007 expiration if neither side opts out of the Agreement.

The Harrisburg Authority (THA) owns, and the City operates, a waste management facility or “Facility” which includes two mass burn municipal waste combustors (the MWCs) originally rated at 360 tons per day, electrostatic precipitators (ESPs) for particulate air pollution control of the (MWCs), water treatment equipment for wastewater discharge, a stack to which emissions from the two (MWCs) are exhausted, a turbine/ generator set for the cogeneration of electric energy and an ash disposal landfill (The Resource Recovery Facility), plus a recently constructed regional transfer station (the Transfer Station).

In December 2000, certain revised federal air quality regulations became applicable to mass burn municipal waste combustors with a capacity greater than or equal to 250 tons per day. Because the Resource Recovery Facility has been unable to meet such revised regulations, the Resource Recovery Facility, pursuant to agreements (Agreements) reached with the United States Environmental Protection Agency (EPA) and the Pennsylvania Department of Environmental Protection (DEP), has reduced or “derated” its permitted throughput capacity for each MWC to below 250 tons per day.

Adjustment, modification and testing of the Resource Recovery Facility to achieve derated capacity and comply with interim emission testing requirements under the Agreements have both increased operating and capital costs and decreased revenues at the Facility during calendar years 2001, 2002, and 2003. In 2003, because of the limited operating period of the Resource Recovery Facility, corresponding decreased revenues, and a continued increase in operating and capital costs, a significant operating deficit occurred. The Transfer Station is currently authorized under its current solid waste permit to continue to operate up to the full 985 ton per day acceptance limit for the Waste Management Facility, and THA might, subject to a permit modification, be able to sell ash cell disposal capacity. However, such revenues would in all likelihood not be sufficient to pay operating expenses and debt service on the outstanding indebtedness of the Waste Management Facility.

The City and THA approved a feasibility study prepared by an independent consultant with respect to the Retrofit to achieve 2003 Compliance. To fund the costs of the Retrofit and the expected operational and budgetary deficit for the Waste Management Facility for 2003, THA issued the Retrofit Bonds in the principal amount of \$125 million in December 2003. The retrofitted facility is anticipated to be substantially completed by January 2, 2006.

Major Initiatives - Departmental Focus

In 2003, the Department of Administration (DOA) was the recipient of the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) of the United States and Canada for the City’s 2002 Budget document. The award is the highest form of recognition in governmental budgeting and marks the thirteenth consecutive year the City has received this award.

Within DOA, the Office of Insurance and Risk Management improved programs in an effort to further control workers’ compensation related health care costs by providing timely and better health care while reducing costs through a managed care approach. The workers’ compensation self-funded program resulted in an approximate cost savings in excess of \$1.1 million. The Bureau of Data Processing continued to work on upgrading the mainframe system, Metro system, various applications, and personal computers throughout City government. The Bureaus of Human Resources, Financial Management, and the Office of Insurance and Risk Management and the Mayor’s Office for Labor Relations assisted the Office of the Business Administrator in negotiation of a one-year labor contract between the City and the Fraternal Order of Police (FOP) Capital City Lodge No. 12.

The Department of Building and Housing Development (DBHD) continued to develop and enhance the City's neighborhoods through the Home Improvement (HIP), Homeownership Opportunities (HOP), Facade Improvement (FIP), Rental Rehabilitation, and Lead Hazard Control programs. Through the Buyer Notification and Rental Unit Inspection processes, the Department has increased the code compliant housing stock Citywide. Lead Paint Poisoning Prevention education continued to be a major public safety focus, earning a federal grant, which will support rehabilitation, and education activities into 2005. The Capital Corridors Program, directing City programs at key streets throughout the City, received continued emphasis. Focus was given to major streets throughout the City that have a visual impact on residents and visitors alike. DBHD has been part of the coordination for street lighting and improvements, tree plantings and code compliance that has occurred both in Capital Corridors and other streets. Assisting DBHD in seeking code compliance throughout neighborhoods are residents who graduated from the City's Citizen Inspection Program – the first of its kind. DBHD, along with various developers, continued development of the Capitol Heights development project and began implementation of the Maclay Street Apartments for both rental and owner occupancy, revived the completion of the 1970s Barkley Lane subdivision for owner-occupied homes and began the next phase of Market Place Town homes. Recognizing the need for community services, in addition to housing for the creation of livable communities, DBHD continues its past work to improve eight neighborhood facilities and the Broad Street Market. The department has been working with both the "Harrisburg Initiative" program (Messiah College) and the "Urban Design Studio" program (Harrisburg Area Community College, Temple and Auburn Universities) to integrate their instructional curriculums with urban programs such as facade design, housing rehabilitation, social service and neighborhood planning programs.

The Department of Public Safety includes the Bureaus of Police and Fire. National Police Accreditation, first attained in 1989 and the highest recognition in the United States for law enforcement operations, was retained in 1994, 1999, and 2002 as part of the Bureau of Police's commitment to maintaining high standards of performance, accountability, and training. Of over 21,000 police agencies nationwide, less than 600 have ever achieved or retained accreditation. In July 2003, Harrisburg also obtained Pennsylvania Law Enforcement Accreditation and is one of only seven agencies to have the distinction of holding dual accreditation. In 2003, the crime rate decreased 5.5%; however, the 1999 crime rate was the lowest in at least 30 years. Overall, the crime rate is down 56.5%. In 1998, the Harrisburg Bureau of Police adopted a Bureau-wide Community Policing Program, which is geared to building a closer working relationship with police and the citizens of Harrisburg. The Bureau currently operates three community-policing stations located throughout Harrisburg as well as maintaining its core operations at Police Headquarters. The Bureau will continue to develop and upgrade plans to continue its community policing efforts. Community policing officers participate in a variety of programs and continue to provide specialty services such as the K-9 and mounted units, the DARE program, Cops for Kids Day, and crime prevention. It is the Bureau's intent to continue to utilize federal and state grants to help with the goals and objectives of our Police Bureau. All Bureau units work together to offer the citizens of Harrisburg the best in law enforcement protection. The Bureau of Fire continues its lead management role for Pennsylvania Task Force One, one of 28 nationally certified Urban Search and Rescue Teams. As a result of the success of the First Task Force, which is deployable to any place in the world, a Second Intra-State Task Force, for response solely within Pennsylvania, has been created by the State. Additionally, a new Water Rescue Strike Team One, capable of handling water-related emergencies anywhere in the State, is now operational. Harrisburg administers both of these recent additions to the Pennsylvania Emergency Management System. Continuance of strong code enforcement and public education programs has resulted in a 76% drop in the number of fires since 1982. Due to the success of these programs, the Federal Emergency Management Association has expressed an interest in using the City's building marking program, junior firesetters program, and the mapping program as a model in a national report regarding best practices.

In 2003, the Department of Public Works, Bureau of Neighborhood Services - City Services demolished 55 houses by the City's four man demolition crew. The department also removed and installed 1,064 street signs, mostly from Division Street to Maclay Street, as part of a ten-year program to replace all faded signage Citywide and install new street name signs with more visible white lettering on blue background. There were also 458 tons of illegal bulk items collected from the City's streets, alleyways, and lots. In addition, the City collected 1,799 tons of recycling, and 2,409 tons of street debris; as well as cleaning 417 storm inlets and 68

sewer lines. The Bureau of Traffic Engineering maintained 90 signalized intersections and 9 flashing warning signals. The Bureau of Vehicle Management continues to provide fleet services, maintenance, repairs, and State safety and emission inspections to the existing City's fleet and motorized equipment. In addition, the Bureau is responsible for the dispensing of motor fuels and lubricants to a total of seven outside agencies, which include the Commonwealth of Pennsylvania, Borough of Steelton, the Harrisburg School District, its sub-contractors, and all of the Authorities within the City as well as the City's fleet. The Bureau of Building Maintenance completed a complicated and extensive upgrade of the hydraulic elevators, as well as repaired the steam line in the Vance McCormick Public Service Center. The Bureau of Neighborhood Services - Sanitation collected over 32,000 tons of refuse in 2003, which represents a 3.2 percent increase from the amount collected in 2002. The Water Bureau responded to 10,534 service calls, repaired twenty-seven main breaks and installed 1,500 feet of new water main. There were 5,360 locations marked by Public Works personnel in response to the Pennsylvania One Call System, commonly known as the "Call Before You Dig" program. There were 251 new water meters installed in 2003 that can be read remotely through the City's new meter reading system. The Hydro-Turbine generator produced a total of 885,921 kWh of electricity for the year at an average of 23,027 kWh per month. All of the electricity produced was consumed internally at the Dr. Robert E. Young Water Services Center, lowering the amount of power purchased. This created an average monthly savings of \$4,430 and a yearly savings of \$53,155. There were 1,226,440 kWh of electricity produced at the Advanced Wastewater Treatment Facility (AWTF) co-generated from combusting the by-product methane gas that produced \$73,586 in revenue. Also 12,256,640 gallons of sludge were accepted at the AWTF from the City waste-hauling contract program that resulted in \$483,765 in revenue, \$167,834 higher than in 2002.

During 2003, the Office of the City Engineer oversaw the design and installation of streetlights and planting of trees along with construction of sidewalks and new alleys for the Capital Heights housing development project. The Office managed the contract to install new light fixtures on the Market Street Bridge, approved by the Harrisburg Area Transportation Study (HATS) and funded through the Federal Transportation Enhancements Program managed by Federal Highway Administration (FHWA) and Pennsylvania Department of Transportation (PENNDOT). Other projects completed were: installed five new traffic signals in the City with funding from FHWA through PENNDOT; design continued on the Southern Gateway Project, the extension of South Third Street to connect with the I-83 entrance/exit ramps and an interconnect to South Second Street and South Front Street; the widening of Seventh Street to four lanes between Reily and Maclay Streets and the Mulberry Street Bridge Ramp Replacement, including new lighting. The Office also obtained approximately \$2.8 million through the FHWA Safety and Mobility Initiative, administered by PENNDOT, for design and installation of replacement and upgraded traffic signals at 24 intersections throughout the City. The Office awarded a contract to a traffic consultant for the design of that project. Installation of the signals will be bid in four consecutive years commencing in 2005. A \$300,000 grant was obtained by the City's US Representative from the Environmental Protection Agency (EPA) to separate storm and sanitary flows in the "Mish Run" sewer and a second grant was obtained through the Pennsylvania Department of Environmental Protection (PA DEP) Growing Greener program to design a storm water mitigation project on Black Run, a tributary of Paxton Creek.

The Department of Parks and Recreation (DPR) and the City's parks system have realized a dramatic revitalization since 1982 when the Mayor implemented his Parks Improvement Program. As a result of these improvements, special events, which include riverfront festivals, concerts in Reservoir Park and Italian Lake, and dozens of other activities, attracted over 2.3 million people in 2003. City Island broke its attendance record in 2000, and maintained it in 2001, 2002, and 2003, as more than 2.1 million people visited its scenic land and attractions. To protect this investment in the City's parks system and to provide informational services, DPR operates a Park Ranger Corps. DPR also offers year-round recreational activities, which attracted more than 585,760 youth and adult participants in 2003. These facilities and events, along with the activities of the hotels and restaurants, the State Capitol Complex, the Whitaker Center, the National Civil War Museum, and a host of others, have now made the City a tourism attraction and a point of destination. During 2003, and for the sixteenth consecutive year, Harrisburg was designated as a "Tree City USA" by the National Arbor Day Foundation because of its environmental policies and procedures.

Major Initiatives – Enterprise Operations-Component Units

Beginning with 1993, the City discretely presented financial data related to the enterprise operations of three entities considered to be component units of the City's overall financial reporting entity pursuant to GASB Statement No. 14. The Harrisburg Authority (THA) component unit is used to account for operations of a water system, which provides a service to the City and several surrounding municipalities; and for the operations of the Harrisburg Resource Recovery Facility (HRRF), which THA purchased from the City on December 23, 1993. The Harrisburg Parking Authority (HPA) component unit accounts for the operations of eight parking garages, on-street parking, and two open lots, all within the City. The Coordinated Parking Fund (CPF) accounts for the net operating revenues and transfers in from the components of the Coordinated Parking System.

Operating results for 2003 were mixed for THA and HPA, with an operating loss of \$2.4 million and operating income of \$4.7 million, respectively. The operating loss at THA is primarily attributed to decreased revenues in the Water Fund, as well as decreased revenues and increased expenses in the Resource Recovery Fund. The decreased revenues in the Water Fund were primarily due to decreased consumption, which was due to an unseasonably rainy summer. The Resource Recovery Facility experienced decreased revenues due to a closing of the facility on June 18, 2003 for a modernization project to be completed. While the facility is closed, revenues will continue to come from disposal charges and fees. The facility will not be producing electricity or steam while it is shutdown. The modernization project is expected to be completed in early 2006.

THA has incurred substantial losses in recent years for its inability to obtain a sufficient number of contracts for municipal solid waste to finance its planned retrofit and modernization of the HRRF. As a result of this modernization program required by the federal Environmental Protection Agency, the value of the waste incinerator component of the Facility has decreased significantly. This, in combination with a \$2.4 million operating loss, debt related costs of \$13.8 million, and a \$1.7 million transfer out in 2003 caused a net loss for the year of \$13,851,116, increasing the deficit to \$58,072,212. THA has obtained the contract necessary to finance the retrofit and modernization program, it has issued revenue bonds in late 2003 to address this deficit situation.

In 2003, planning continued by the City and The Harrisburg Authority (THA) in the retrofit modernization project at the Harrisburg Resource Recovery Facility (the Facility), and officials continued marketing the available and future capacity at the Facility to secure additional long-term municipal solid waste disposal contracts.

The HPA has an accumulated deficit of \$1,919,576. The deficit resulted from losses on the extinguishment of debt in the amount of \$2,549,981 and \$992,836 in 1994 and 1993, respectively. This loss is essentially the cost of carrying old bonds during the escrow period, and is offset by cumulative net income of \$1,623,241.

AWARDS AND ACKNOWLEDGEMENTS

National Recognitions

For 1984-85 and 1990-91 the City was chosen as an "All-American City", the Nation's highest community award, by the National Civic League, Inc. The City's selection from among a large number of nominees was due to its demonstrated ability to reverse three decades of previous decline with highly successful economic development and the City's ability to solve local problems through effective governmental and community partnership and leadership. The judging took special note of the development of programs by the City and various groups, including non-profit organizations, churches, historic associations, and efforts by the Redevelopment Authority of the City of Harrisburg to deal with substandard and inadequate housing supply.

In 1989, 1994, 1999, and 2002 the City's Police Bureau was approved as a national accredited law enforcement agency by the National Commission on Accreditation for Law Enforcement Agencies. This is the highest national recognition that can be awarded to a police agency. Out of over 21,000 law enforcement agencies on a federal, state, county, regional, and municipal level, less than 551 have ever achieved or retained accreditation. Re-accreditation occurs every three years.

The Harrisburg Advanced Wastewater Treatment Facility (AWTF) received the United States Environmental Protection Agency's "1991 National Pretreatment Program Excellence Award". The Award is given in categories based on the actual daily flow of publicly owned treatment works. Harrisburg's AWTF won first place in the Nation in the "over 20 million gallons per day" category. The Award recognizes Harrisburg as implementing effective and innovative environmental protection and pollution control programs, and acknowledges the City as demonstrating commitment to the protection and improvement of the Nation's waters through the operation of exemplary pretreatment programs. The AWTF also won first place in the Pennsylvania Operations Challenge in 1992, 1993, 1995, 1996, 1997, 1998, 1999, 2000 and 2001; and continued to the national competition where they place 16th in 1992, 10th in 1993, 13th in 1995, 4th in 1996, 8th in 1997, 6th in 1998, 7th in 1999, 8th in 2000, and 12th in 2001. These awards illustrate Harrisburg's AWTF as one of the nation's top sewerage facilities in overall operation and compliance. In addition, the superintendent of the City's AWTF was named the state's Operator of the Year for 1993.

The City's aggressive flood control and emergency management system, named as a model by the Pennsylvania Emergency Management Agency, resulted in Harrisburg being the only community in the state to be upgraded in 1991, 1992, and 1993 by the Federal Emergency Management Agency. This produces an overall 15% reduction in base flood insurance premiums for all City-based property owners annually.

Members of the Harrisburg Police Bureau's K-9 Unit won more than one-third of all medals, including overall best team, in the annual International Police Olympic Games' Canine Competition in Washington D.C. in 1992. The Unit won 14 of the possible 40 awards in the competition, which involved over 11,000 officers from all 50 states and 12 foreign countries. In addition, members of the K-9 Unit garnered the Nation's top honors at the American Canine Triathlon in 1993 by outdistancing competitors from 22 other cities from a dozen different states.

In 1993, for the first time, the City received the Award of Recognition from the National Federation of Municipal Analysts for its comprehensive financial management/reporting system.

Harrisburg was selected, in 1994, as one of 65 Empowerment Communities by the United States Department of Housing and Urban Development.

In 2000, the City was awarded the Best Practices "Simply the Best" award from the Department of Housing and Urban Development (HUD) for its Local Based Paint Hazard Control Program.

The National Arbor Day Foundation, has for sixteenth consecutive years, including 2003, designated Harrisburg as a "Tree City U.S.A."

In 2001, the National Association of Housing and Redevelopment Officials (NAHRO) presented to the City of Harrisburg's Department of Building and Housing Development the "Award of Excellence" for the Bureau of Housing's Homeownership Opportunities Program (HOP) and the Homeownership Impact Loan Program (HIL) that make financing for City homes available for low and moderate income buyers.

In 2001, the Mid-Atlantic Regional Conference NAHRO (MARC-NAHRO) presented the City of Harrisburg's, Bureau of Housing and Building Development, the "Award of Excellence for the Homeownership Opportunities Program (HOP) and Homeownership Impact Loan Program (HIL).

In 2002, Harrisburg's Bureau of Vehicle Management, was awarded the National Association of Fleet Administrator's "2002 Larry Goill Award" for an innovative idea that eliminated the need for the public sector to separately bid for vehicles and other equipment each time new vehicles were needed. This new process has saved the City, the Commonwealth, and other participating municipalities time and money.

State Recognitions

Harrisburg was selected as the "1990 Outstanding Community of Pennsylvania" by the Pennsylvania Chamber of Business and Industry, the highest community recognition in the state. The Mayor was separately named by the Chamber as the "1990 Outstanding Government Leader of Pennsylvania."

The Pennsylvania Department of Environmental Protection's Bureau of Forestry presented the "Samuel S. Cobb Award of Excellence" for Urban and Community Forestry to Harrisburg in 1991, the highest conservation award in the state, for the City's outstanding parks system which has been considerably upgraded during the past eighteen years.

In 1992, the City and Capital Health System jointly received the top state award from the Hospital Association of Pennsylvania for the creation of the Total Mend Program, a pioneering effort administered by the City's Office of Insurance and Risk Management to control health care costs in the workers' compensation program.

Also, Preservation Pennsylvania, a state historic preservation advocacy organization, gave the City of Harrisburg its 1996 Local Government Initiative-Historic Preservation Award for the rehabilitation of the former Reily Fire Station. The building houses the Greater Harrisburg Fire Museum.

In 1998, Mayor Stephen R. Reed was presented with the Distinguished Leader Award by the Pennsylvania Planning Association. Mayor Reed was cited for his "creativity and entrepreneurial initiatives that have helped Harrisburg become a thriving, vibrant community."

In 1998, the Harrisburg Department of Parks and Recreation won four state awards from the Pennsylvania Recreation and Park Society (PRPS). Three awards were for "Excellence in Programming" for City Island Fun Day, the Bell Atlantic Foundation Computer Learning Center in the Brownstone Building at Reservoir Park, and the Kipona Festival. The fourth award was for "Excellence in Publications and Promotional Materials" for the Harrisburg City Calendar.

In 1999 and 1996, the City's Alternative Revenue and Energy Program received the state's highest recognition, the Governor's Award for Environmental Excellence for Achievement in Technological Innovation.

For 1999, the Harrisburg Department of Parks and Recreation won three state awards from the PRPS which were presented in March 2000. These awards were for Excellence in Programming for the Black History Showcase, the Senior Citizens Computer Program in the Brownstone Building at Reservoir Park, and the Junior Golf Program.

In 2001, the Harrisburg Police Bureau's Traffic Safety Unit received the top state Traffic Law Enforcement Award from the Governor's Highway Safety Council for the thirteenth year.

For 2001, the Pennsylvania Recreation and Parks Society presented the Harrisburg Department of Parks and Recreation with two Excellence in Programming awards for the City's Easter Egg Hunt/Youth Health Fair, the American Musicfest/Kipona and the Countdown Programs.

In 2001, the Pennsylvania Department of Community and Economic Development (DCED), Center for Community Building presented the Department of Building and Housing Development an Award of

Recognition for their Community building efforts and participation in the Pennsylvania Community Building Conference.

Harrisburg's park system won two Centennial Medallion Awards from the American Society of Landscape Architects for both Riverfront Park and Reservoir Park.

For 2002, the Harrisburg Department of Parks and Recreation won one state award from PRPS for Excellence in programming for the City Fishing Derby held at Pool #1.

In 2002, the Pennsylvania Section – American Water Works Association and the nationally based Partnership for Safe Water presented the Harrisburg Bureau of Water with the prestigious 2002 Partnership for Safe Water Achievement Award, the highest honor for water system operations in the state and the nation.

In 2003, the Skyline Sports Complex field earned the Coveted Fields of Distinction Award from the Keystone Athletic Field Managers Organization.

In July 2003, the Harrisburg Police Bureau achieved state accreditation. The Bureau is one of three law enforcement agencies in the state of Pennsylvania to hold dual-accredited status. Re-accreditation occurs every three years.

The City of Harrisburg was awarded the Cecil C. Furer, Friend of Rural Water Award by the Pennsylvania Rural Water Association in 2003. This was presented to the City for its ability to help smaller water systems in their times of difficulty.

Additional Recognitions

After thorough assessment, the City of Harrisburg received an upgraded credit rating of "A" by Standard and Poor's Corporation and an "A-" by Fitch Investors Services, Inc., both in 1992. This achievement is monumental considering just eleven years earlier Harrisburg could not achieve any credit rating. The City continues to maintain these ratings.

The City of Harrisburg's Capital Area Greenbelt program won the Chesapeake Bay Local Government Advisory Committee's 1992 and 1994 Award for Local Innovation. The Capital Area Greenbelt program was one of six programs selected to receive the award in the four-state Bay area. The City of Harrisburg was the only local government in Pennsylvania to receive the award, with the other recipients from Maryland and Virginia.

In 1992, an independent awards jury named Mayor Stephen R. Reed as the Entrepreneur of the Year in Central Pennsylvania, in the category of Supporter of Entrepreneurs, for leadership in fostering business development and growth. It is the first time a public official received this private sector recognition.

The City of Harrisburg received the Community Service Award from the Central Pennsylvania Chapter of the Public Relations Society of America in 1993. This first time award was received for quality public information services, practices, and policies.

In 2000, the City of Harrisburg was the only municipality in North America to receive the International Paradigm Award for its cutting-edge use of technology.

In 2000 and 2002, the International Festival and Events Association honored Harrisburg with four top international awards for its special events programs and promotions.

In 2001, the International Festival and Events Association honored Harrisburg with two awards for its special events program and promotion.

The Capital Region Fair Housing Council presented Mayor Stephen R. Reed with an Award of Recognition for his personal support of housing programs in the Capital Region on the occasion of their 26th Anniversary Celebration.

In 2003, the International Festival and Events Association honored the City of Harrisburg with seven awards for its special events programs and promotions.

In 2003, Mayor Stephen R. Reed was presented with the Community Builder of the Year by the Tri-County United Way of Pennsylvania.

The American Cancer Society presented Mayor Stephen R. Reed with the 2003 John H. Baum Humanitarian Award for his personal commitment to the community. This award was presented in memory of the late Patriot-News publisher and community leader.

In 2003, the City of Harrisburg was awarded the “Good Neighbor” award by “Mission of Mercy”, a non-profit organization that offers free medical and dental services to the uninsured, working poor, and homeless individuals. The City of Harrisburg was presented this award due to its continued efforts to promote the program’s free medical services.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the “Distinguished Budget Presentation Award” to the City of Harrisburg for its 2003 Budget document, which marks the thirteenth consecutive year the City received this recognition. This award is the highest form of recognition in governmental budgeting.

GFOA also awarded a “Certificate of Achievement of Excellence in Financial Reporting” to the City of Harrisburg, Pennsylvania for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2002. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such a CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Harrisburg has received a Certificate of Achievement for the last sixteen consecutive years (1987 – 2002). We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis would not have been possible without the efficient and dedicated services of the staff of the Bureau of Financial Management. I would especially like to express my sincere appreciation to William P. Leinberger, CMA, Accounting Manager, and his Accounting Office staff; Ginger S. Miller, Budget Manager; Yolanda M. Jones, Senior Budget Management/Analyst; Vincent J. Burns, Director of Human Resources, and Lisa M. Holland, Assistant to the Business Administrator, who contributed so significantly to its preparation.

Assistance above and beyond the normal call of duty was provided by the Bureau of Data Processing, City Controller’s Office, City Treasurer’s Office, and the Office of Insurance and Risk Management. Their assistance made possible the development and/or adaptation of information necessary for financial statement and/or statistical information presentation. In addition, the accounting firm of McKonly & Asbury, LLP made substantial contributions by way of financial statement presentation, proofing, research and interpretation of recent reporting guidelines and review for conformity to Certificate of Achievement Program requirements.

Appreciation is also expressed to the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert F. Kroboth", with a stylized, flowing script.

Robert F. Kroboth, CGFM
Deputy Business Administrator
Bureau of Financial Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Harrisburg,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

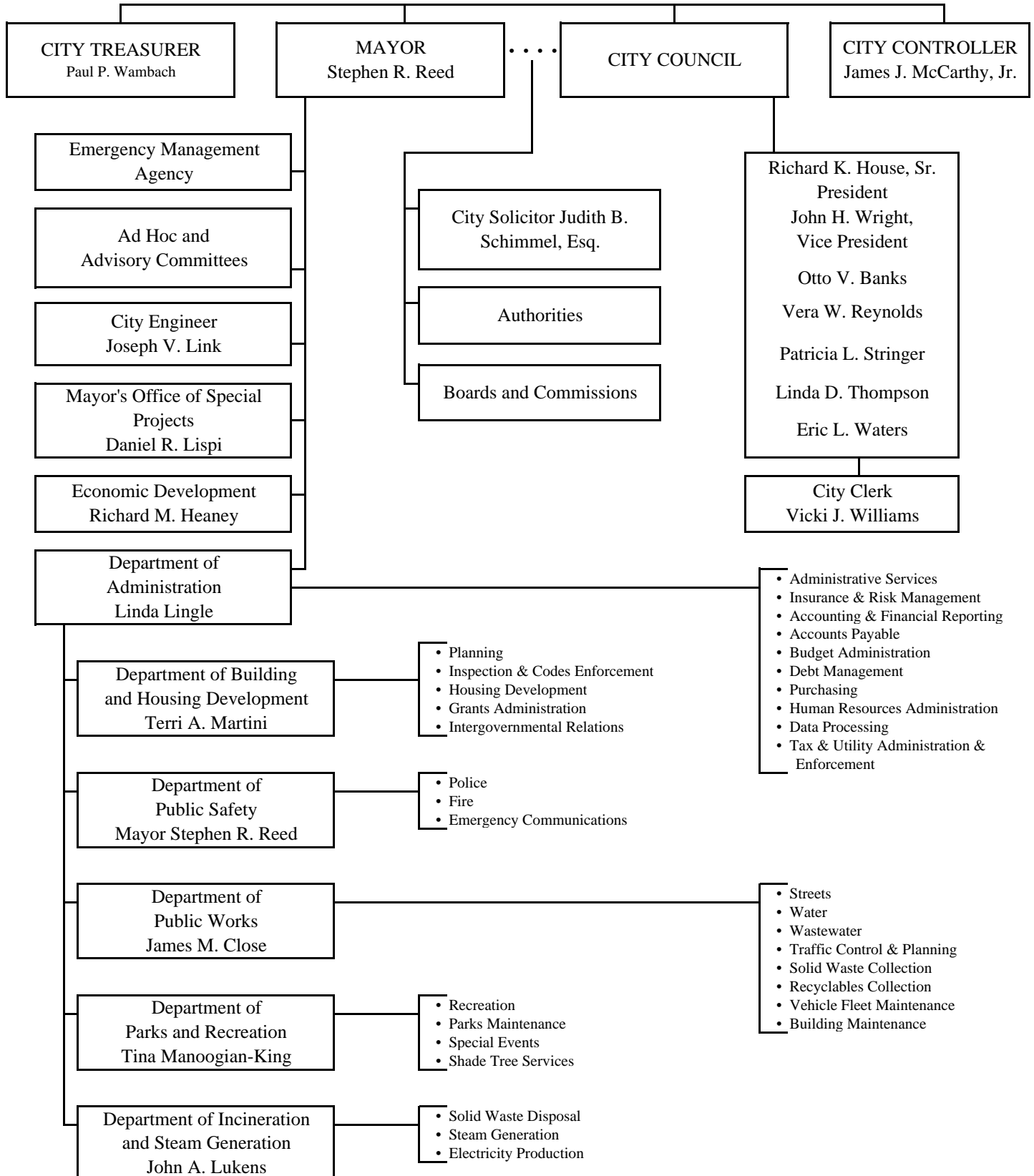


President

Executive Director

CITY OF HARRISBURG ORGANIZATIONAL CHART

THE VOTERS OF HARRISBURG



CITY OF HARRISBURG, PENNSYLVANIA

LIST OF ELECTED OFFICIALS

The City is an Optional Third Class City and is governed by a Plan A, Mayor - Council form of government. The current elected officials of the City are shown in the table below:

	<u>First Sworn In</u>	<u>Term Expires</u>
<u>Mayor</u>		
Stephen R. Reed	January 1982	January 2006
<u>City Council Members</u>		
Richard K. House, Sr., President	January 1990	January 2006
John H. Wright, Vice President	July 1998	January 2004
Otto V. Banks	January 2002	January 2006
Vera W. Reynolds	January 1992	January 2004
Patricia L. Stringer	January 2000	January 2004
Linda D. Thompson	January 2002	January 2006
Eric L. Waters	January 2002	January 2006
<u>City Controller</u>		
James J. McCarthy, Jr.	January 1978	January 2006
<u>City Treasurer</u>		
Paul P. Wambach	January 1992	January 2004

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CERTIFIED PUBLIC ACCOUNTANTS

CLARENCE E. ASBURY, CPA, CVA
TERRY L. HARRIS, CPA
ROBERT A. ROMAÑO, CPA
GARY J. DUBAS, CPA
SCOTT A. HEINTZELMAN, CPA, CMA, CFE
TRACEY L. RASH, CPA, CGFM

MEMBERS

AMERICAN AND PENNSYLVANIA
INSTITUTES OF CERTIFIED PUBLIC
ACCOUNTANTS



INTERNATIONAL GROUP OF
ACCOUNTING FIRMS

INDEPENDENT AUDITOR'S REPORT

The Honorable Stephen R. Reed, Mayor
and Honorable Members of City Council
City of Harrisburg, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisburg, Pennsylvania, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Harrisburg, Pennsylvania, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Managements Discussion and Analysis - For State and Local Governments*; Statement No. 36, *Recipient Reporting for Certain Shared Non Exchange Revenues - an amendment to GASB 33*; Statement No. 37, *Basic Financial*

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LANCASTER, PA 17603
(717) 431-3113 • FAX (717) 761-7944

MAILING ADDRESS: P.O. BOX 1331
HARRISBURG, PA 17105
WEB SITE: www.macpas.com

Statements - and Managements Discussion and Analysis - For State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedules—Perspective Differences—an amendment of GASB Statement No. 34, as of January 1, 2003. In accordance with Government Auditing Standards, we have also issued our report dated September 8, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information, and pension plan information on pages 3 through 10 and 91 through 96 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisburg's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McKonly & Asbury, LLP

Harrisburg, Pennsylvania
September 8, 2004

This section of the City of Harrisburg's Comprehensive Annual Financial Report (CAFR) presents Management's Discussion and Analysis of the City's financial performance during the year ending December 31, 2003. Readers are encouraged to consider the information within the context of the preceding Transmittal Letter and the following financial statements. The discussion also focuses on the primary government and unless otherwise noted, component units are not included.

Financial Highlights

- The City of Harrisburg's assets for the year ending December 31, 2003, exceeded its liabilities by \$63,051,878.
 - Invested in capital assets, net of related debt, in the amount of \$88,042,152, includes all capital assets including infrastructure.
 - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$1,997,988.
 - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$26,988,262).
- The City's total net assets decreased by \$547,086 for the year ended December 31, 2003, primarily due to increased grants and contributions offset by unfunded depreciation of sewer lines and decreased operating grants in the Sewer Fund.
- At December 31, 2003, the fund balance of the City of Harrisburg's governmental funds was \$13,739,871. This was an increase of \$1,195,999 in comparison to December 31, 2002, primarily due to the receipt of the \$2.3 million guarantee fee on the Guaranteed Resource Recovery Bonds and Notes, Series of 2003.

Overview of the Financial Statements

The financial section of the CAFR consists of five parts in the following order; the independent auditor's report on the financial statement audit, Management's Discussion and Analysis (MD&A), the basic financial statements, required supplementary information (RSI) and other supplementary information. The basic financial statements can be further classified into the following three types: government-wide financial statements, fund financial statements, and notes to the financial statements.

1. **Government-Wide Financial Statements** The government-wide financial statements provide a summary of City of Harrisburg's financial condition in a similar fashion to the private business sector. The focus of these statements is the economic resources measurement and full accrual basis of accounting.

All of the City of Harrisburg's net assets are reported as the difference between the assets and liabilities. Increases and decreases in net assets serve as a good indicator of the financial condition improving or deteriorating.

The Statement of Activities presents information on how net assets changed during the year. All changes are recorded as soon as the change occurs even though cash may not be received yet; cash flow may even occur in a later fiscal year, such as uncollected taxes and vacation leave earned but not used. The Statement of Net Assets and the Statement of Activities distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs

(continued)

through user fees and charges (business-type activities). The City of Harrisburg's governmental activities are general government, building and housing development, public safety (police and fire), public works, and parks and recreation. The business-type activities of the City include sewer, sanitation, and Harrisburg Senators Fund.

2. **Fund Financial Statements** A fund is a grouping of related accounts used to control resources that are separated by activity. Fund accounting is used by the City of Harrisburg to monitor and show compliance with budgetary requirements. Funds are either governmental, proprietary, or fiduciary funds.

- a. **Governmental Funds** Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented by the two in order to better understand the long-term impact of near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of Harrisburg reports four major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those required to be accounted for in another fund; (2) the Grants Programs Fund, which accounts for the revenues and expenditures of federal, state, and other grant programs including the Community Development Block Grant Entitlement Program; (3) the Debt Service Fund, which accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest, and related costs; and (4) the Capital Projects Fund, which accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities (other than those financed by proprietary funds). Data from all the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

- b. **Proprietary Funds** The City's proprietary funds are all classified as enterprise funds. They are used to account for the operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the expenses of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, and/or other purposes.

The City of Harrisburg reports three major enterprise funds: (1) the Sewer Fund, which accounts for the revenues and expense associated with the provision of sewage service to the residents

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

and commercial and industrial establishments of the City as well as six municipalities surrounding the City; (2) the Sanitation Fund, which accounts for the revenues and expenses associated with the provision of refuse collection and disposal services to the residents and commercial and industrial establishments of the City; and (3) the Harrisburg Senators Fund, which accounts for the revenues and expenses associated with the Harrisburg Senators minor league baseball franchise, owned by the City. The City does not present any non-major enterprise funds.

- c. **Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City's fiduciary funds are all classified as trust and agency funds. Fiduciary fund financial statements report similarly to proprietary funds.
3. **Notes to the Financial Statements** The Notes give additional information that is necessary to understand fully the data provided in the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.
4. **Other Information** The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the General Fund, in required supplementary information, to demonstrate compliance with this budget. In addition, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. The combining statements referred to earlier in connection with non-major governmental funds and agency funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

CITY OF HARRISBURG
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 32,134,815	\$ 13,600,757	\$ 45,735,572
Capital assets	134,139,138	45,655,719	179,794,857
Total assets	166,273,953	59,256,476	225,530,429
Current and other liabilities	32,148,611	5,377,535	37,526,146
Noncurrent liabilities	106,240,121	18,712,284	124,952,405
Total liabilities	138,388,732	24,089,819	162,478,551
Net assets invested in capital			
assets, net of related debt	54,742,998	33,299,154	88,042,152
Restricted	1,285,912	712,076	1,997,988
Unrestricted	(28,143,689)	1,155,427	(26,988,262)
Total net assets	\$ 27,885,221	\$ 35,166,657	\$ 63,051,878

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

This is the first year the City implemented the new financial reporting requirements of GASB Statements No. 34, 37 and 41. The changes from the prior years' report include a new format and basis of accounting for the basic financial statements. Since this is the first year to report all activities using this new approach, a comparison of the Statement of Net Assets and the Statement of Changes in Net Assets to the prior year is not possible. However, in future years, this section will explain the differences between the components of current and prior year assets, liabilities, revenues, expenses and changes in net assets.

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The City of Harrisburg's assets exceeded its liabilities by \$63,051,878 for year ending December 31, 2003.

The largest portion of City of Harrisburg's net assets (140%) is the City's investment in capital assets (i.e., land, archives, building, land and building improvements, equipment and furniture, infrastructure); less any related outstanding debt used to acquire those assets. These capital assets are used by the City of Harrisburg to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the assets cannot be used to liquidate these liabilities.

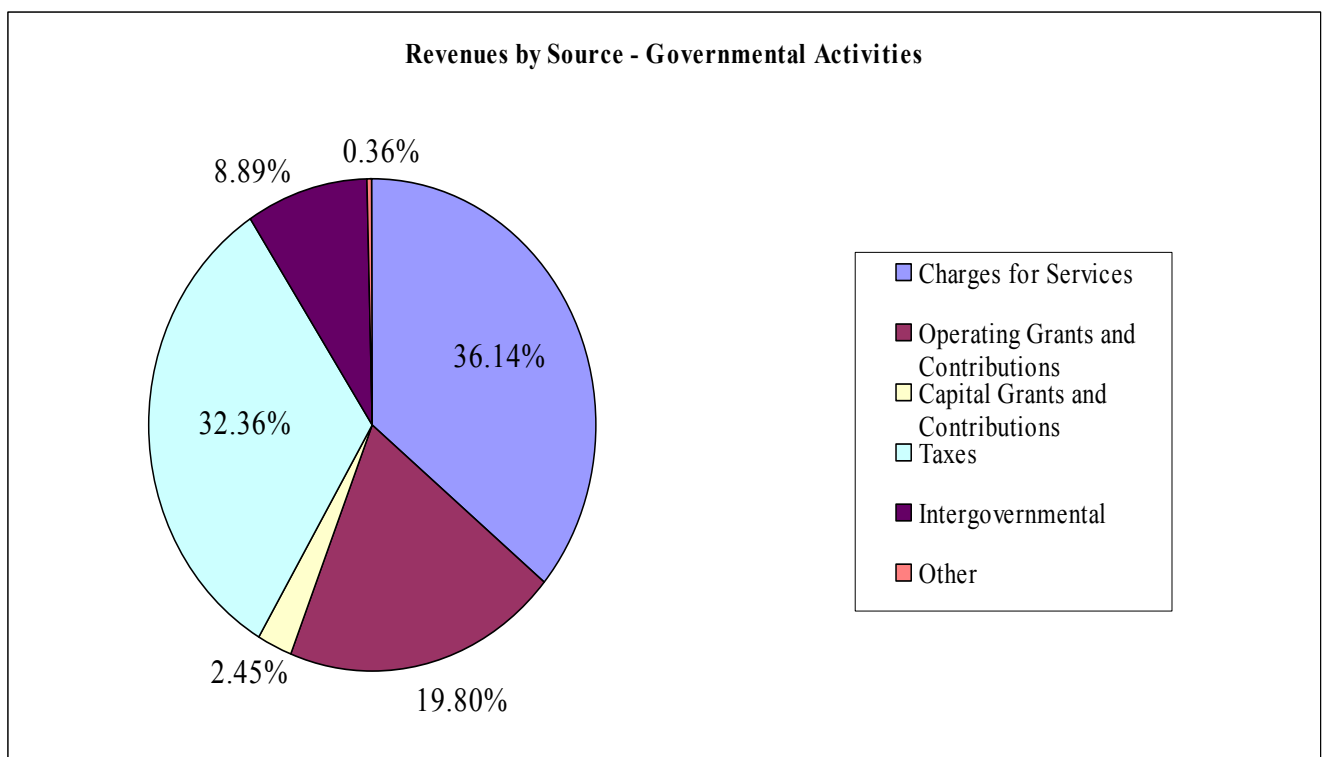
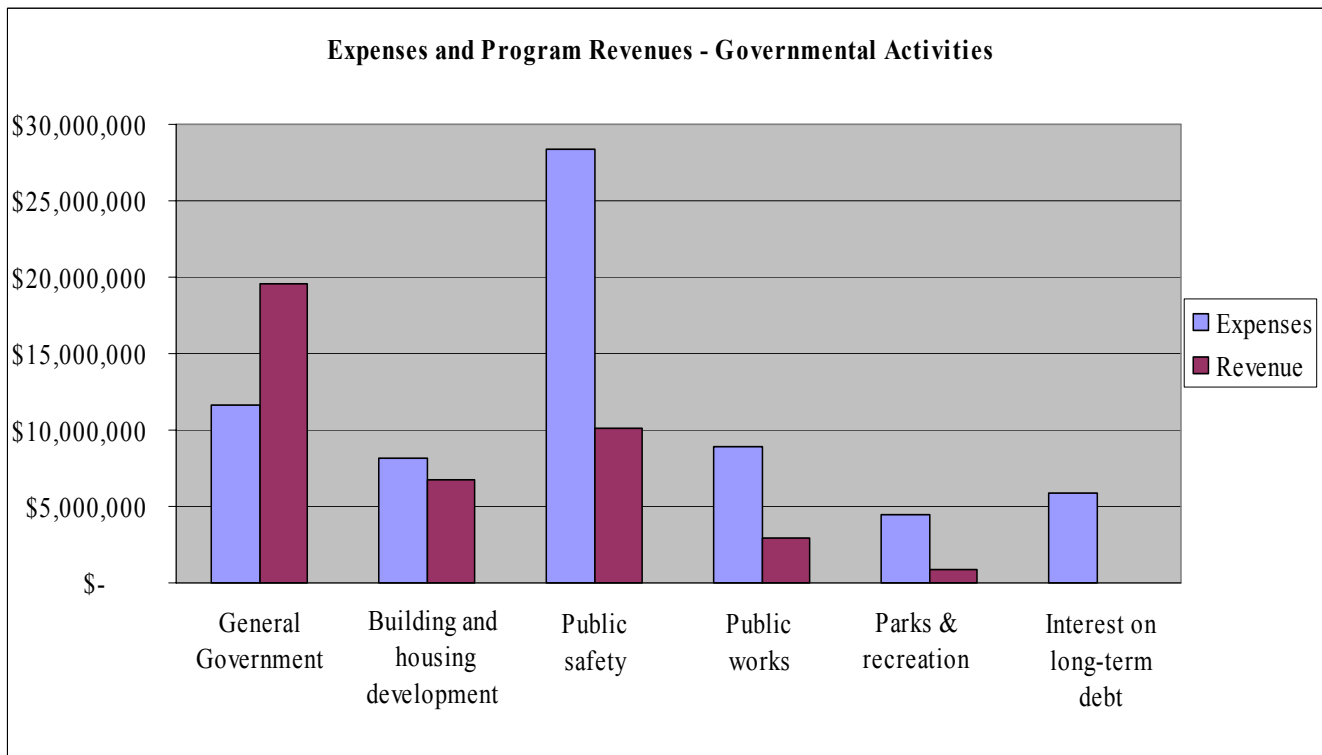
The City of Harrisburg's unrestricted net asset balance of (\$26,988,262) results from the recording of unfunded pension bonds, General Obligation Bonds, Series A and B of 1995, in the amount of \$20,998,997 and vested compensated absences in the amount of \$9,364,722.

CITY OF HARRISBURG
CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2003

	Governmental Activities	Business-Type Activities	Total
	<hr/>	<hr/>	<hr/>
<u>Revenues</u>			
Program revenues:			
Charges for services	\$ 24,972,998	\$ 16,107,714	\$ 41,080,712
Operating grants and contributions	13,679,715	-	13,679,715
Capital grants and contributions	1,691,550	-	1,691,550
General revenues:			
Taxes	22,359,488	-	22,359,488
Grants and contributions not restricted to specific functions	6,142,461	-	6,142,461
Other	53,381	54,692	108,073
	<hr/>	<hr/>	<hr/>
Total revenues	68,899,593	16,162,406	85,061,999
	<hr/>	<hr/>	<hr/>
<u>Expenses</u>			
General government	11,590,561	-	11,590,561
Building and housing development	8,194,518	-	8,194,518
Public safety	28,410,183	-	28,410,183
Public works	8,902,217	-	8,902,217
Parks and recreation	4,470,303	-	4,470,303
Interest on long-term debt	5,868,613	-	5,868,613
Sewer	-	14,106,106	14,106,106
Sanitation	-	3,062,737	3,062,737
Harrisburg Senators	-	1,003,847	1,003,847
	<hr/>	<hr/>	<hr/>
Total expenses	67,436,395	18,172,690	85,609,085
	<hr/>	<hr/>	<hr/>
Increase (decrease) in net assets before transfers	1,463,198	(2,010,284)	(547,086)
Transfers	192,236	(192,236)	-
	<hr/>	<hr/>	<hr/>
Change in net assets	1,655,434	(2,202,520)	(547,086)
Net assets January 1, 2003	26,229,787	37,369,177	63,598,964
	<hr/>	<hr/>	<hr/>
Net assets December 31, 2003	\$ 27,885,221	\$ 35,166,657	\$ 63,051,878
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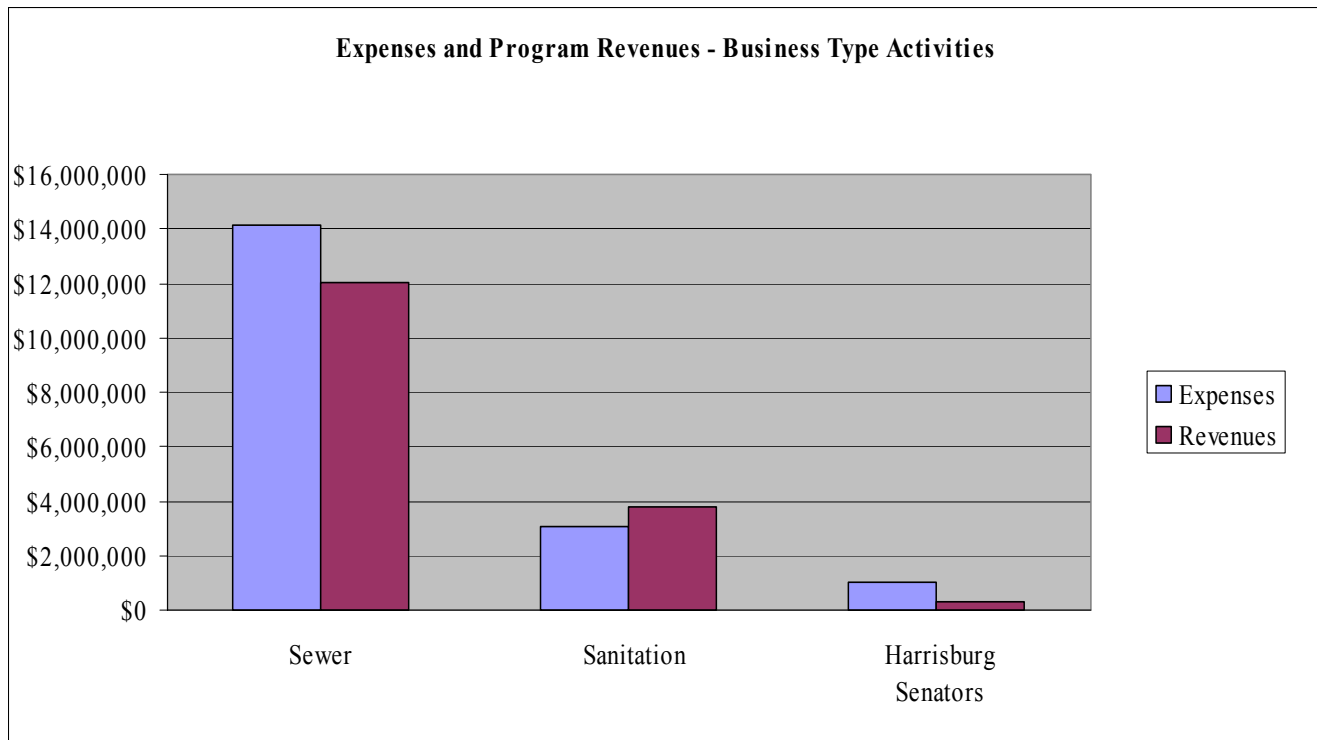
CITY OF HARRISBURG, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003



(continued)

CITY OF HARRISBURG, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

Governmental Activities Net assets for governmental activities increased by \$1,655,434. The basic factor for the change in the net assets is a million dollar increase in distributions from the Coordinated Parking Fund, a component unit of the City of Harrisburg.



Business-Type Activities Net assets for business-type activities decreased by \$2,202,520. Basic factors for the change in the net assets are as follows:

- Unfunded depreciation of sewer lines.
- Discontinuance of Act 339, sewage facility subsidy, operating grants and contributions decreased by approximately \$270,000.

Financial Analysis of the City's Funds

1. **Governmental Funds** The focus of the City of Harrisburg's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Harrisburg's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Harrisburg's governmental funds reported combined ending fund balances of \$13,739,871, an increase of \$1,195,999 in comparison with the prior year. 100% of this total amount constitutes unreserved fund balance, which is available for spending at the City's discretion.

(continued)

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The Fund Balance of the General Fund increased by \$974,762, or 12.82% from the prior year. This was primarily the result of receiving a guarantee fee on the Guaranteed Resource Recovery Revenue Bonds and Notes, Series of 2003. The Grant Programs Fund does not report a fund balance because revenue equals expenditures. In this fund, revenue is recognized only when allowable expenditures are incurred and the legal and contractual requirements of the individual programs are met. The Fund Balance of the Debt Service Fund decreased by \$125,696, or 56% from the prior year. This was the result of using prior year cash carryover to fund current year debt service expenditures. The Fund Balance of the Capital Projects Fund increased by \$478,628, or 11.36%, from the prior year. This was the result of the issuance of the Pennsylvania Infrastructure Bank loans in the amount of \$627,800.

2. **General Fund Budgetary Highlights** On a budgetary basis, the General Fund's actual revenues were \$581,818 less than the final budgeted amounts. The budget anticipated proceeds from the sale of City owned property that was not collected during the year ended December 31, 2003, due to a change in a guaranty agreement. The General Fund's actual expenditures were \$537,938 less than the final budgeted amounts. This was primarily due to the fact that the Bureau of Health was budgeted to be created during the year ended December 31, 2003, but due to lack of funding from the State, this did not occur.

Capital Asset and Debt Administration

1. **Capital assets** The City's investment in capital assets for its governmental activities and business-type activities as of December 31, 2003, amounts to \$134,139,138 and \$45,655,719 (net of accumulated depreciation), respectively. This investment in capital assets includes land, archives, buildings, land and building improvements, equipment and furniture, and infrastructure.

Major capital asset events during the current year for governmental activities included the following:

- Archives in the amount of \$1,694,063 were purchased by The Harrisburg Authority and contributed to the City.
- Buildings increased by \$140,000 due to the purchase of the previously leased armory building from the State, \$150,000 for the broadcast station and \$584,000 for construction of the Pennsylvania Task Force 1 operations facility.
- Equipment and furniture increased by \$375,000 for the purchase of homeland security related equipment, \$209,000 in computer purchases for the police bureau, \$150,000 in equipment purchases for the broadcast station, and \$831,000 in vehicle purchases for the Pennsylvania Task Force 1.
- Infrastructure increased by \$1,200,000 for the Market Street Bridge lighting project and \$378,000 for road improvement projects.

Major capital asset events during the current year for business-type activities included the following:

- Buildings increased by \$666,000 for construction within the Sewer Fund, paid for through the capital lease with The Harrisburg Authority.

(continued)

- Equipment and furniture increased by \$290,000 for two sanitation packers and \$482,000 for purchases of motor vehicle and operations equipment within the Sewer Fund, paid for through the capital lease with The Harrisburg Authority.

Additional information on the City's capital assets can be found on page 52 of this report.

2. **Long-term debt** The City received \$627,800 in Pennsylvania Infrastructure Bank loans during the year ended December 31, 2003 for purposes of infrastructure development. The loans are payable through September 1, 2013 and are to be serviced through the general revenues of the City.

Other than the required principal and interest payments, there was no activity in the City's business-type activity debt.

Additional information on the City's long-term debt can be found on page 55 of this report.

Economic Factors

Arguably, the two most significant factors affecting the City are the extent of unfunded federal and state mandates and the extent of tax-exempt real estate. Our best estimate is that in the entire City budget, approximately 38% of the expense is related to unfunded costs mandated on us by the United States Government and the Commonwealth of Pennsylvania.

Moreover, the most significant unfunded mandate affecting us is the liberal allowance for tax-exemption that exists in Pennsylvania. What was already a broadly-accommodating state law was further loosened several years ago by additional state legislative action. Today, more than 45% of all real estate is exempt from paying any type of taxes under state law. The number of properties achieving tax-exemption increases by the year. Some of the tax exempt-properties are amongst the greatest generators of demand for City services, for which they do not pay a dime. This is a continuing inequitable and unfair burden on Harrisburg and one that places a higher tax rate on those who do pay taxes on their real estate.

In view of the fiscal constraints under which the City has been operating, a variety of steps were taken earlier in 2003, which will be continued in 2004. Additional controls on overtime were imposed, the effect of which has been to reduce overtime costs by over \$200,000 thus far. Various job vacancies were abolished. Travel, conference, tuition reimbursement and other non-mandatory operating expenses were sharply cut. With the 2004 Budget, they are the lowest in memory. As a part of our continuing rigid internal review, the City's Workers' Compensation medical bills are carefully scrutinized and adjusted. Savings were \$277,005 in 2003 and 2004 to date as a result.

The City has worked on an extensive number of projects to reduce costs or raise additional revenues. The dental insurance carrier has been changed, which will save \$37,000. Additionally, payments in lieu of taxes from the Pinnacle Health System and from Forum Place were negotiated to begin in 2004.

Requests for Information

This financial report is designed for those who have an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Office of the Deputy Business Administrator, Rev. Dr. Martin Luther King Jr., City Government Center, 10 North Second Street, Suite 301, Harrisburg, PA 17101.

CITY OF HARRISBURG
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
Assets					
Cash and cash equivalents	\$ 7,478,934	\$ 3,842,857	\$ 11,321,791	\$ 6,477,750	\$ 17,799,541
Investments, at fair value	-	-	-	5,046,651	5,046,651
Receivables, net of allowance for uncollectible accounts					
Taxes	6,329,449	-	6,329,449	-	6,329,449
Accounts	274,797	2,574,329	2,849,126	3,426,330	6,275,456
Loans	8,099,522	-	8,099,522	-	8,099,522
Other	3,195,251	252,105	3,447,356	-	3,447,356
Internal balances	1,694,250	(1,694,250)	-	-	-
Due from component unit	1,159,711	-	1,159,711	-	1,159,711
Due from primary government	-	-	-	3,257,926	3,257,926
Other assets	546,722	1,016,138	1,562,860	152,168	1,715,028
Restricted assets					
Cash	1,034,940	2,159	1,037,099	-	1,037,099
Cash with fiscal agents	15,494	-	15,494	150,010,521	150,026,015
Investments, at fair value	505,845	709,917	1,215,762	50,839,959	52,055,721
Accrued interest receivable	-	-	-	15,049	15,049
Note receivable	1,799,900	-	1,799,900	239,518	2,039,418
Future lease rentals receivable from primary government	-	-	-	10,870,514	10,870,514
Direct financing lease proceeds receivable from component unit	-	2,480,589	2,480,589	-	2,480,589
Capital assets, less accumulated depreciation and amortization	134,139,138	45,655,719	179,794,857	166,292,338	346,087,195
Franchise fee, less accumulated amortization	-	4,416,913	4,416,913	-	4,416,913
Deferred charges, net of accumulated amortization	-	-	-	22,701,942	22,701,942
Total assets	166,273,953	59,256,476	225,530,429	419,330,666	644,861,095

(continued)

	Primary Government			Component Units	Total
	Governmental Activities	Business-type Activities	Total		
Liabilities					
Accounts payable and other current liabilities	2,240,560	206,142	2,446,702	1,151,326	3,598,028
Matured bond coupons	20,097	-	20,097	-	20,097
Accrued liabilities	2,371,397	237,677	2,609,074	-	2,609,074
Due to primary government	-	-	-	1,159,711	1,159,711
Due to component unit	550,359	2,707,567	3,257,926	-	3,257,926
Deferred revenue	16,468,715	-	16,468,715	490,220	16,958,935
Liabilities payable from restricted assets	-	-	-	10,835,973	10,835,973
Noncurrent liabilities:					
Due within one year	10,497,483	2,226,149	12,723,632	7,833,302	20,556,934
Due in more than one year	106,240,121	18,712,284	124,952,405	447,645,044	572,597,449
Deferred revenue	-	-	-	6,036,811	6,036,811
Liability for obligations to construct assets under direct financing leases	-	-	-	2,480,589	2,480,589
Accrued landfill closure and postclosure care liability	-	-	-	1,429,702	1,429,702
Total liabilities	138,388,732	24,089,819	162,478,551	479,062,678	641,541,229
Net assets					
Invested in capital assets, net of related debt	54,742,998	33,299,154	88,042,152	(158,897,741)	(70,855,589)
Restricted for:					
Highways and streets	248,776	-	248,776	-	248,776
Culture and recreation	323,525	-	323,525	-	323,525
Workers' compensation	556,452	709,917	1,266,369	-	1,266,369
Debt service	-	2,159	2,159	100,724,212	100,726,371
Construction	59,668	-	59,668	874,354	934,022
Trust closure	-	-	-	483,422	483,422
Guarantee agreement	-	-	-	254,706	254,706
Special projects	-	-	-	82,213	82,213
Water operations	-	-	-	2,017,166	2,017,166
Resource recovery operations	-	-	-	6,465,534	6,465,534
Other	97,491	-	97,491	-	97,491
Unrestricted	(28,143,689)	1,155,427	(26,988,262)	(11,735,878)	(38,724,140)
Total net assets	\$ 27,885,221	\$ 35,166,657	\$ 63,051,878	\$ (59,732,012)	\$ 3,319,866

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	Total
					Governmental Activities	Business-type Activities	Total		
Primary government									
Governmental activities									
General government	\$ 11,590,561	\$ 16,692,904	\$ 1,231,395	\$ 1,691,550	\$ 8,025,288	\$ -	\$ 8,025,288	\$ -	\$ 8,025,288
Building and housing development	8,194,518	2,149,472	4,615,137	-	(1,429,909)	-	(1,429,909)	-	(1,429,909)
Public safety	28,410,183	3,997,442	6,115,736	-	(18,297,005)	-	(18,297,005)	-	(18,297,005)
Public works	8,902,217	1,885,880	1,091,751	-	(5,924,586)	-	(5,924,586)	-	(5,924,586)
Parks and recreation	4,470,303	247,300	625,696	-	(3,597,307)	-	(3,597,307)	-	(3,597,307)
Interest on long-term debt	5,868,613	-	-	-	(5,868,613)	-	(5,868,613)	-	(5,868,613)
Total governmental activities	67,436,395	24,972,998	13,679,715	1,691,550	(27,092,132)	-	(27,092,132)	-	(27,092,132)
Business-type activities									
Sewer	14,106,106	12,028,851	-	-	-	(2,077,255)	(2,077,255)	-	(2,077,255)
Sanitation	3,062,737	3,791,582	-	-	-	728,845	728,845	-	728,845
Harrisburg Senators	1,003,847	287,281	-	-	-	(716,566)	(716,566)	-	(716,566)
Total business-type activities	18,172,690	16,107,714	-	-	-	(2,064,976)	(2,064,976)	-	(2,064,976)
Total primary government	\$ 85,609,085	\$ 41,080,712	\$ 13,679,715	\$ 1,691,550	(27,092,132)	(2,064,976)	(29,157,108)	-	(29,157,108)
Component units									
The Harrisburg Authority	\$ 38,345,033	\$ 21,449,526	\$ -	\$ -	-	-	-	(16,895,507)	(16,895,507)
Harrisburg Parking Authority	10,505,318	10,857,799	-	-	-	-	-	352,481	352,481
Coordinated Parking Fund	3,361,400	1,159,879	-	-	-	-	-	(2,201,521)	(2,201,521)
Total component units	\$ 52,211,751	\$ 33,467,204	\$ -	\$ -	-	-	-	(18,744,547)	(18,744,547)
General revenues									
Property taxes					13,638,868	-	13,638,868	-	13,638,868
Real estate transfer taxes					850,269	-	850,269	-	850,269
Occupational privilege taxes					332,578	-	332,578	-	332,578
Earned income taxes					3,235,092	-	3,235,092	-	3,235,092
Business privilege taxes					3,214,854	-	3,214,854	-	3,214,854
Franchise taxes					393,646	-	393,646	-	393,646
Public utility realty taxes					37,343	-	37,343	-	37,343
Hotel taxes					557,396	-	557,396	-	557,396
Payments in lieu of taxes					99,442	-	99,442	-	99,442
Grants and contributions not restricted to specific functions					6,142,461	-	6,142,461	-	6,142,461
Unrestricted investment earnings					78,620	39,986	118,606	3,096,497	3,215,103
Gain (loss) on sale of capital assets					(25,239)	14,706	(10,533)	-	(10,533)
Transfers - internal activities					192,236	(192,236)	-	-	-
Total general revenues and transfers					28,747,566	(137,544)	28,610,022	3,096,497	31,706,519
Change in net assets					1,655,434	(2,202,520)	(547,086)	(15,648,050)	(16,195,136)
Net assets - January 1, 2003					26,229,787	37,369,177	63,598,964	(44,083,962)	19,515,002
Net assets - December 31, 2003					\$ 27,885,221	\$ 35,166,657	\$ 63,051,878	\$ (59,732,012)	\$ 3,319,866

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	General	Grant Programs	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Assets						
Cash	\$ 5,135,119	\$ 1,493,022	\$ 68,218	\$ 37,143	\$ 745,432	\$ 7,478,934
Receivables, net of allowance for uncollectible accounts						
Taxes	6,294,759	-	-	34,690	-	6,329,449
Accounts receivable	274,797	-	-	-	-	274,797
Loans receivable	2,715,059	5,250,063	-	134,400	-	8,099,522
Other receivable	1,165,084	748,795	-	1,281,372	-	3,195,251
Due from other funds	926,002	1,414,358	34,614	1,576,994	59,264	4,011,232
Advances and amounts due from component units	314,057	-	-	845,654	-	1,159,711
Other assets	539,363	5,000	-	2,359	-	546,722
Restricted assets						
Cash	148,098	-	-	886,842	-	1,034,940
Cash with fiscal agents	-	-	15,494	-	-	15,494
Investments, at fair value	505,845	-	-	-	-	505,845
Advances to other funds	411,375	-	-	-	-	411,375
Total assets	<u>\$ 18,429,558</u>	<u>\$ 8,911,238</u>	<u>\$ 118,326</u>	<u>\$ 4,799,454</u>	<u>\$ 804,696</u>	<u>\$ 33,063,272</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,388,665	\$ 778,319	\$ -	\$ 46,985	\$ 26,591	\$ 2,240,560
Accrued liabilities	786,096	12,661	-	-	4,946	803,703
Matured bond coupons payable	-	-	20,097	-	-	20,097
Due to other funds	1,598,880	536,523	-	58,747	400,232	2,594,382
Advances and amounts due to component units	550,359	-	-	-	-	550,359
Deferred revenue	5,530,565	7,449,760	-	-	-	12,980,325
Advances from other funds	-	133,975	-	-	-	133,975
Total liabilities	<u>9,854,565</u>	<u>8,911,238</u>	<u>20,097</u>	<u>105,732</u>	<u>431,769</u>	<u>19,323,401</u>
Fund balances						
Reserved						
Advances	411,375	-	-	-	-	411,375
Capital outlay	-	-	-	4,187,060	-	4,187,060
Encumbrances	91,158	-	-	506,662	-	597,820
Debt service	-	-	98,229	-	-	98,229
Workers' compensation	556,452	-	-	-	-	556,452
Revolving loan program	3,170,281	-	-	-	-	3,170,281
Unreserved, reported in						
General fund	4,345,727	-	-	-	-	4,345,727
Special revenue funds	-	-	-	-	372,927	372,927
Total fund balances	<u>8,574,993</u>	<u>-</u>	<u>98,229</u>	<u>4,693,722</u>	<u>372,927</u>	<u>13,739,871</u>
Total liabilities and fund balances	<u>\$ 18,429,558</u>	<u>\$ 8,911,238</u>	<u>\$ 118,326</u>	<u>\$ 4,799,454</u>	<u>\$ 804,696</u>	<u>\$ 33,063,272</u>

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003

Fund balances - total governmental funds \$ 13,739,871

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the governmental funds

Governmental capital assets	220,377,447	
Less accumulated depreciation	<u>(86,238,309)</u>	134,139,138

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		6,861,777
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Guarantee fees are deferred and amortized over the life of the guarantee period, but are available to pay current-period expenditures and, therefore, are not reported in the funds		(8,550,267)
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and, therefore, are not reported in the funds

Workers' compensation	(2,712,650)	
Bonds payable	(57,009,537)	
Notes payable	(40,587,006)	
Capital leases payable	(7,063,689)	
Compensated absences	(9,364,722)	
Accrued interest payable	<u>(1,567,694)</u>	<u>(118,305,298)</u>

Net assets of governmental activities		<u>\$ 27,885,221</u>
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The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

	General	Grant Programs	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 21,363,287	\$ -	\$ -	\$ -	\$ -	\$ 21,363,287
Licenses and permits	423,696	-	-	-	-	423,696
Intergovernmental revenue	7,199,804	12,215,522	-	-	754,849	20,170,175
Department earnings and program revenue	20,235,304	1,054,713	-	632,227	11,317	21,933,561
Fines and forfeits	1,697,651	-	-	-	-	1,697,651
Investment income	35,528	26,229	1,039	222	5,859	68,877
Miscellaneous	3,564,685	244,928	-	23,924	-	3,833,537
Total revenues	54,519,955	13,541,392	1,039	656,373	772,025	69,490,784
Expenditures						
Current						
General government	11,117,674	-	-	414,935	15,973	11,548,582
Building and housing development	1,208,640	6,781,957	-	66,800	-	8,057,397
Public safety	23,476,591	5,998,023	-	-	-	29,474,614
Public works	4,345,635	114,239	-	-	716,708	5,176,582
Parks and recreation	3,922,946	218,621	-	-	-	4,141,567
Capital outlay						
Infrastructure	-	-	-	78,956	-	78,956
Other	-	-	-	304,522	-	304,522
Debt service						
Principal retirements	1,256,942	245,000	7,820,630	-	-	9,322,572
Interest and fiscal charges	414,311	248,710	347,008	-	-	1,010,029
Total expenditures	45,742,739	13,606,550	8,167,638	865,213	732,681	69,114,821
Excess of revenues over (under) expenditures	8,777,216	(65,158)	(8,166,599)	(208,840)	39,344	375,963
Other financing sources (uses)						
Proceeds from the issuance of debt	-	-	-	627,800	-	627,800
Transfers in	608,225	132,915	8,040,903	70,954	-	8,852,997
Transfers out	(8,410,679)	(67,757)	-	(11,286)	(171,039)	(8,660,761)
Total other financing sources (uses)	(7,802,454)	65,158	8,040,903	687,468	(171,039)	820,036
Net change in fund balances	974,762	-	(125,696)	478,628	(131,695)	1,195,999
Fund balances - beginning of year - restated	7,600,231	-	223,925	4,215,094	504,622	12,543,872
Fund balances - end of year	\$ 8,574,993	\$ -	\$ 98,229	\$ 4,693,722	\$ 372,927	\$ 13,739,871

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,195,999
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	6,814,434	
Depreciation expense	<u>(7,042,685)</u>	(228,251)

In the statement of activities, only the loss on the sale of capital assets is reported. However, in governmental funds the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of assets sold.

(25,239)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

116,134

Governmental funds report guarantee fees as revenues. However, in the statement of activities, the fees are amortized over the guarantee period and reported as investment income.

Guarantee fee	(2,834,544)	
Amortization	<u>460,908</u>	(2,373,636)

The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Debt issued or incurred	(627,800)	
Principal repayments	<u>9,322,572</u>	8,694,772

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Workers' compensation	(486,714)	
Compensated absences	(379,047)	
Accrued interest	59,752	
Amortization of bond discounts	<u>(4,918,336)</u>	(5,724,345)

Change in net assets of governmental activities	<u><u>\$ 1,655,434</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2003

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Proprietary Funds
ASSETS				
Current assets				
Cash	\$ 3,396,276	\$ 446,581	\$ -	\$ 3,842,857
Receivables, net of allowance for uncollectible accounts				
Accounts receivable	2,128,758	445,571	-	2,574,329
Other receivable	-	252,105	-	252,105
Due from other funds	110,114	6,484	-	116,598
Prepaid expenses and other assets	1,001,549	14,589	-	1,016,138
Total current assets	6,636,697	1,165,330	-	7,802,027
Restricted assets				
Cash	-	-	2,159	2,159
Investments, at fair value	450,412	259,505	-	709,917
Total restricted assets	450,412	259,505	2,159	712,076
Direct financing lease proceeds receivable from component unit	2,480,589	-	-	2,480,589
Capitals assets, less accumulated depreciation and amortization	44,563,988	717,865	373,866	45,655,719
Franchise fee, less accumulated amortization	-	-	4,416,913	4,416,913
Total assets	54,131,686	2,142,700	4,792,938	61,067,324
LIABILITIES				
Current liabilities				
Accounts payable	187,938	18,204	-	206,142
Accrued expenses	18,085	15,036	204,556	237,677
Due to other funds	17,559	177,482	1,338,407	1,533,448
Amounts due to component units	2,707,567	-	-	2,707,567
Current portion of future lease rentals payable to component unit	1,861,450	-	-	1,861,450
Current portion of workers' compensation	149,919	26,418	-	176,337
Current portion of general obligation bonds payable	59,000	16,737	5,000	80,737
Current portion of capitalized lease obligations	-	76,623	-	76,623
Current portion of vested compensated absences	19,289	11,713	-	31,002
Total current liabilities	5,020,807	342,213	1,547,963	6,910,983
Noncurrent liabilities				
Advances from other funds	-	277,400	-	277,400
Workers' compensation	516,683	91,046	-	607,729
General obligation bonds payable	218,768	-	7,970,000	8,188,768
Capitalized lease obligations	-	315,193	-	315,193
Vested compensated absences	368,041	223,489	-	591,530
Future lease rentals payable to component unit	9,009,064	-	-	9,009,064
Total liabilities	15,133,363	1,249,341	9,517,963	25,900,667
NET ASSETS				
Invested in capital assets, net of related debt	36,174,063	309,312	(3,184,221)	33,299,154
Restricted				
Debt service	-	-	2,159	2,159
Workers' compensation	450,412	259,505	-	709,917
Unrestricted	2,373,848	324,542	(1,542,963)	1,155,427
Total net assets	\$ 38,998,323	\$ 893,359	\$ (4,725,025)	\$ 35,166,657

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Primary Government
Operating revenues				
Charges for service	\$ 12,028,851	\$ 3,791,582	\$ 287,281	\$ 16,107,714
Operating expenses				
Salaries and wages	1,999,609	1,034,823	-	3,034,432
Fringe benefits	763,776	474,115	-	1,237,891
Communications	26,342	4,408	-	30,750
Professional fees	68,199	51,474	-	119,673
Utilities	1,972,429	31,291	-	2,003,720
Insurance	280,223	33,736	-	313,959
Maintenance and repairs	241,047	96,705	-	337,752
Contracted services	5,619,970	981,947	-	6,601,917
Supplies	455,701	112,739	-	568,440
Depreciation	1,577,642	233,036	37,387	1,848,065
Total operating expenses	13,004,938	3,054,274	37,387	16,096,599
Operating income (loss)	(976,087)	737,308	249,894	11,115
Nonoperating revenues (expenses)				
Investment income	34,032	5,954	-	39,986
Loss on disposal of capital assets	(2,346)	17,052	-	14,706
Interest expense	(1,101,168)	(8,463)	(613,107)	(1,722,738)
Amortization of bond issue costs and franchise fees	-	-	(353,353)	(353,353)
Total nonoperating revenues (expenses)	(1,069,482)	14,543	(966,460)	(2,021,399)
Income (loss) before transfers	(2,045,569)	751,851	(716,566)	(2,010,284)
Transfers in	-	-	348,232	348,232
Transfers out	-	(540,468)	-	(540,468)
Change in net assets	(2,045,569)	211,383	(368,334)	(2,202,520)
Net assets - beginning of year - restated	41,043,892	681,976	(4,356,691)	37,369,177
Net assets - end of year	\$ 38,998,323	\$ 893,359	\$ (4,725,025)	\$ 35,166,657

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Primary Government
Cash flows from operating activities				
Received from user charges	\$ 12,172,076	\$ 3,802,507	\$ 287,281	\$ 16,261,864
Payments to employees for services	(1,940,180)	(1,019,467)	-	(2,959,647)
Payments for fringe benefits	(763,776)	(474,115)	-	(1,237,891)
Payments to suppliers for goods and services	(9,217,592)	(1,341,909)	-	(10,559,501)
Net cash provided by operating activities	250,528	967,016	287,281	1,504,825
Cash flows from noncapital financing activities				
Transfers in	-	-	348,232	348,232
Transfers out	-	(540,468)	-	(540,468)
(Decrease) increase in advances from other funds	(59,566)	(181,440)	(17,281)	(258,287)
Net cash (used in) provided by noncapital financing activities	(59,566)	(721,908)	330,951	(450,523)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(12,903)	(38,150)	-	(51,053)
Proceeds from the sale of capital assets	100	17,052	-	17,152
Interest paid	-	(8,463)	(613,232)	(621,695)
Lease, bond and note payments	(2,268,668)	(58,673)	(5,000)	(2,332,341)
Net cash used in capital and related financing activities	(2,281,471)	(88,234)	(618,232)	(2,987,937)
Cash flows from investing activities				
Purchase of investments	(5,281)	(3,044)	-	(8,325)
Investment income received	34,032	5,954	-	39,986
Net cash provided by investing activities	28,751	2,910	-	31,661
Net increase (decrease) in cash and cash equivalents	(2,061,758)	159,784	-	(1,901,974)
Cash and cash equivalents (including restricted cash) - beginning of year	5,458,034	286,797	2,159	5,746,990
Cash and cash equivalents (including restricted assets) - end of year	\$ 3,396,276	\$ 446,581	\$ 2,159	\$ 3,845,016

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS (CONT'D)
YEAR ENDED DECEMBER 31, 2003

	Sewer Fund	Sanitation Fund	Harrisburg Senators Fund	Total Primary Government
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (976,087)	\$ 737,308	\$ 249,894	\$ 11,115
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation and amortization	1,577,642	233,036	37,387	1,848,065
Provision for uncollectible accounts	(362,405)	(117,113)	-	(479,518)
Changes in assets and liabilities				
Accounts receivable	285,996	129,555	-	415,551
Due from component units	219,634	-	-	219,634
Other receivable	-	(1,517)	-	(1,517)
Other assets	(379,921)	(756)	-	(380,677)
Vested compensated absences	59,429	15,356	-	74,785
Workers' compensation	204,106	18,134	-	222,240
Accounts payable and other accrued costs	(377,866)	(46,987)	-	(424,853)
Net cash provided by operating activities	<u>\$ 250,528</u>	<u>\$ 967,016</u>	<u>\$ 287,281</u>	<u>\$ 1,504,825</u>
Noncash investing, capital and financing activities				
Amortization of deferred bond issuance costs and bond discount and franchise fees	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 353,353</u>	<u>\$ 353,353</u>
Fixed assets purchased by The Harrisburg Authority on behalf of the Sewer Fund	<u>\$ 1,147,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,147,735</u>

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2003

	Police Pension Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 423,866	\$ 723,320
Receivables		
Interest and dividends	13,502	-
Investments, at fair value		
Fixed income funds	20,118,355	-
Equity funds	17,830,433	-
Common stock	18,362,292	-
U.S. Treasury STRIPS	-	2,655,924
Total investments	56,311,080	2,655,924
Total assets	56,748,448	3,379,244
LIABILITIES		
Due to member	42,423	-
Due to other governments	-	476,002
Escrow liabilities	-	2,903,242
Total liabilities	42,423	\$ 3,379,244
NET ASSETS		
Net assets held in trust for police pension benefits (a summary of funding progress is presented on page 95)	\$ 56,706,025	

The accompanying notes are an integral
part of these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - POLICE PENSION TRUST FUND
YEAR ENDED DECEMBER 31, 2003

Additions	
Contributions	
Employee contributions	<u>\$ 457,401</u>
Investment income	
Interest and dividend income	1,862,412
Net appreciation in fair value of investments	<u>8,540,870</u>
Total investment earnings	10,403,282
Less investment expense	<u>(121,412)</u>
Net investment income	<u>10,281,870</u>
Total additions	<u>10,739,271</u>
Deductions	
Pension benefits	2,535,435
Administrative expenses	<u>86,368</u>
Total deductions	<u>2,621,803</u>
Change in net assets	8,117,468
Net assets held in trust for pension benefits - January 1	<u>48,588,557</u>
Net assets held in trust for pension benefits - December 31	<u><u>\$ 56,706,025</u></u>

The accompanying notes are an integral
part of the these financial statements.

CITY OF HARRISBURG, PENNSYLVANIA
DESCRIPTION OF FUNDS
COMPONENT UNITS

The Harrisburg Authority

The Harrisburg Authority Component Unit is used to account for the revenues and expenses associated with providing water service to residents and commercial and industrial establishments of the City and several surrounding municipalities; providing municipal solid waste disposal, subsequent sale of incinerator generated steam to local utility and the production of electricity for in-house use and sale to a public utility.

Harrisburg Parking Authority

The Harrisburg Parking Authority Component Unit is used to account for the revenues and expenses associated with the ownership and operation of eight parking garages containing approximately 6,550 spaces in the central business district of the City, in addition to funds it receives from on-street parking meter charges and two open lots.

Coordinated Parking Fund

The Coordinated Parking Fund Component Unit is used to account for the net operating revenues from the components of the coordinated parking system. The components of the coordinated parking system include seven parking garages owned by the Harrisburg Parking Authority, two of the City's surface lots and the City's parking meters. The Fund is pledged as security for the debt service payments of the Harrisburg Parking Authority Series N bonds and is currently used to make the debt service payments for such bonds. The fund may also be used to reimburse certain of the Harrisburg Parking Authority garages for below market rentals to certain lessors, and, if any excess is available, to distribute such amount to the City.

CITY OF HARRISBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS - COMPONENT UNITS
DECEMBER 31, 2003

	The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Total Component Units
ASSETS				
Current assets				
Cash	\$ 5,615,190	\$ 843,963	\$ 18,597	\$ 6,477,750
Investments, at fair value	-	5,046,651	-	5,046,651
Accounts receivable, net of allowance for uncollectible accounts	3,328,087	98,243	-	3,426,330
Advances and amounts due from primary government	408,695	-	284,966	693,661
Advances and amounts due from component unit	-	43,503	-	43,503
Prepaid expenses and other assets	-	152,168	-	152,168
Current portion of note receivable	-	59,879	-	59,879
Current portion of direct financing lease	1,861,450	-	-	1,861,450
Total current assets	11,213,422	6,244,407	303,563	17,761,392
Restricted assets				
Cash with fiscal agents	145,361,479	4,649,042	-	150,010,521
Investments	45,226,971	5,612,988	-	50,839,959
Accrued interest receivable	12,578	-	2,471	15,049
Total restricted assets	190,601,028	10,262,030	2,471	200,865,529
Note receivable, net of current portion	-	179,639	-	179,639
Advances to primary government	2,564,265	-	-	2,564,265
Future lease rentals receivable from primary government	9,009,064	-	-	9,009,064
Capital assets, less accumulated depreciation	104,066,351	62,225,987	-	166,292,338
Deferred charges, net of accumulated amortization	17,459,953	5,241,989	-	22,701,942
Total assets	334,914,083	84,154,052	306,034	419,374,169
LIABILITIES				
Current liabilities (payable from current assets)				
Accounts payable and accrued liabilities	176,647	971,924	2,755	1,151,326
Advances and amounts due to primary government	423,740	-	-	423,740
Advances and amounts due to component unit	-	-	43,503	43,503
Deferred revenue	-	490,220	-	490,220
Current portion of bonds payable	-	1,800,000	-	1,800,000
Total current liabilities (payable from current assets)	600,387	3,262,144	46,258	3,908,789
Current liabilities (payable from restricted assets)				
Accounts payable	5,666,400	-	-	5,666,400
Accrued bond interest payable	3,592,802	740,886	-	4,333,688
Deferred revenue	-	835,885	-	835,885
Current portion of revenue bonds payable	5,890,000	-	-	5,890,000
Current portion of revenue notes payable	143,302	-	-	143,302
Total current liabilities (payable from restricted assets)	15,292,504	1,576,771	-	16,869,275
Noncurrent liabilities				
Revenue bonds payable, net of discount	292,655,957	81,063,975	-	373,719,932
Revenue notes payable, net of discount	73,925,112	-	-	73,925,112
Due to primary government	735,971	-	-	735,971
Deferred revenue	5,866,073	170,738	-	6,036,811
Liability for obligations to construct assets under direct financing leases	2,480,589	-	-	2,480,589
Accrued landfill closure and postclosure care liability	1,429,702	-	-	1,429,702
Total liabilities	392,986,295	86,073,628	46,258	479,106,181
NET ASSETS				
Net assets				
Invested in capital asset, net of related debt	(141,156,484)	(17,741,257)	-	(158,897,741)
Restricted				
Debt service	92,157,757	8,566,455	-	100,724,212
Construction	874,354	-	-	874,354
Trust closure	483,422	-	-	483,422
Guarantee agreement	254,706	-	-	254,706
Special projects	82,213	-	-	82,213
Water operations	2,017,166	-	-	2,017,166
Resource recovery operations	6,465,534	-	-	6,465,534
Unrestricted	(19,250,880)	7,255,226	259,776	(11,735,878)
Total net assets	\$ (58,072,212)	\$ (1,919,576)	\$ 259,776	\$ (59,732,012)

The accompanying notes are an integral
part of the general purpose financial statements.

CITY OF HARRISBURG
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2003

		Program Revenues	Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	The Harrisburg Authority	Harrisburg Parking Authority	Coordinated Parking Fund	Total
The Harrisburg Authority	\$ 38,345,033	\$ 21,449,526	\$ (16,895,507)	\$ -	\$ -	\$ (16,895,507)
Harrisburg Parking Authority	10,505,318	10,857,799	-	352,481	-	352,481
Coordinated Parking Fund	3,361,400	1,159,879	-	-	(2,201,521)	(2,201,521)
Total component units	<u>\$ 52,211,751</u>	<u>\$ 33,467,204</u>	<u>(16,895,507)</u>	<u>352,481</u>	<u>(2,201,521)</u>	<u>(18,744,547)</u>
General revenues						
Unrestricted investment earnings			2,156,391	931,552	8,554	3,096,497
Transfers - internal activities			888,000	(3,049,650)	2,161,650	-
Total general revenues and transfers			<u>3,044,391</u>	<u>(2,118,098)</u>	<u>2,170,204</u>	<u>3,096,497</u>
Change in net assets			(13,851,116)	(1,765,617)	(31,317)	(15,648,050)
Net assets - January 1, 2003 - restated			<u>(44,221,096)</u>	<u>(153,959)</u>	<u>291,093</u>	<u>(44,083,962)</u>
Net assets - December 31, 2003			<u>\$ (58,072,212)</u>	<u>\$ (1,919,576)</u>	<u>\$ 259,776</u>	<u>\$ (59,732,012)</u>

The accompanying notes are an integral
part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Harrisburg, Pennsylvania (the City) was founded by John Harris II in 1785, established as a borough in 1791 and incorporated as a City on March 19, 1860. The City operates as a Mayor-Council form of government and provides all municipal services to its residents.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

A. *Reporting Entity*

The City used guidance contained in Government Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity. The criteria used by the City for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the City reviews the applicability of the following criteria. The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City as defined below:
 - **Impose its Will** – If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - **Financial Benefit or Burden** – Exists if the City (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.
- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the City.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types for which the City is financially accountable or for which there is another significant relationship. Specific information on the nature of the various potential component units and a description of how the aforementioned criteria have been considered in determining whether or not to include or exclude such units in the City's financial statements are provided in the following paragraphs. Separately published audit reports of the component units and joint venture are available for public inspection in the City's Finance Office.

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Blended Component Units

Some component units, despite being legally separate from the primary government (City), are so intertwined with the primary government that they are, in substance, the same as the primary government and are reported as part of the primary government. The component unit reported in this way is the City of Harrisburg Leasing Authority.

City of Harrisburg Leasing Authority

The City of Harrisburg Leasing Authority was formed pursuant to the Municipal Authority Act in 1986 for the purpose of acquiring and leasing facilities and equipment to the City. The five-member Board of Directors is appointed by the Mayor. The Authority's only financial transaction is the financing of City projects. The Authority publishes a separate financial statement and is accounted for in the debt service and enterprise funds of the City's financial statements.

Discretely Presented Component Units

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units presented in this way are the following:

- The Harrisburg Authority
- Harrisburg Parking Authority
- Coordinated Parking Fund

The Harrisburg Authority

The Harrisburg Authority was incorporated in 1957 under the provisions of the Municipal Authority Act. The entire five-member Board is appointed by the Mayor. The Authority has purchased the water system and incinerator facility from the City and contracts with the City to manage the facilities. The contracts require that the Mayor prepare an operating expenses budget for adoption by the City Council, with final approval by the Authority with the inclusion of such operating expenses in the Authority's annual budget. The Authority incurred \$19,482,576 in expenses under these agreements in 2003. Additionally, the Authority has agreed to adopt rates sufficient to pay the operating expenses budget, as approved, plus administrative and debt service expenses. The Authority also has financed the sewer system for the City with a lease revenue bond transaction for which the City pledged all sewer system revenues to secure the Authority's bonds.

Harrisburg Parking Authority

The Harrisburg Parking Authority (Authority) was incorporated in 1972 under the Pennsylvania Parking Authority Law of 1947. The five-member Board of Directors is appointed by the Mayor and members can be removed from the Board at will. The Authority owns and operates eight parking garages containing approximately 6,550 spaces in the central business district of the City.

(continued)

In addition to parking charges, the Authority receives funds from on-street parking meter charges and two open lots. The City receives the benefit of excess parking revenues through a Cooperation Agreement with the Authority and the City has guaranteed all of the Authority's outstanding debt.

Coordinated Parking Fund

The Coordinated Parking Fund (Fund) was established in 1984 through a Cooperation Agreement for the Downtown Coordinated Parking System entered into by the City of Harrisburg, The Harrisburg Redevelopment Authority, Harristown Development Corporation, Harrisburg Parking Authority, The Mayor of Harrisburg and the Harrisburg City Council. The Harrisburg Parking Authority board administers the fund on behalf of the City. The Fund is pledged as security for the debt service payments of the Harrisburg Parking Authority Series N bonds and is currently used to make the debt service payments for such bonds. The fund may also be used to reimburse certain of the Harrisburg Parking Authority garages for below market rentals to certain lessors, and, if any excess is available, to distribute such amount to the City.

Potential Component Units Excluded

City of Harrisburg Housing Authority (Housing Authority)

The Housing Authority was established in 1937 pursuant to the Housing Authorities Law to promote the availability of safe and sanitary dwelling accommodations at affordable rents to families of low income. The Housing Authority is administered by a five-member Board, all of whom are appointed by the Mayor.

The Housing Authority operates low rent subsidized housing projects established within the City. The Housing Authority manages the acquisition of federal and state funds for the construction of and/or improvements to low income properties and reviews programs with the landlords to ensure compliance with various rules and regulations. The City has no financial accountability over the Housing Authority's operations.

The Housing Authority operates and reports on a calendar year.

Harrisburg Redevelopment Authority (Redevelopment Authority)

The Redevelopment Authority was established in 1949 pursuant to the Urban Redevelopment Act of 1945 (Public Law – 991). The Redevelopment Authority is administered by a five-member Board, all of whom are appointed by the Mayor. The Redevelopment Authority provides a broad range of urban renewal and maintenance programs within the City. The Redevelopment Authority also coordinates efforts to improve the economic vitality, the housing stock and overall living conditions within the City. The City does guarantee some debt of the Redevelopment Authority projects, but there is no indication of financial accountability.

The Redevelopment Authority reports on a fiscal year ending June 30.

(continued)

Harristown Development Corporation (HDC)

The Harristown Development Corporation was incorporated under the Nonprofit Corporation Law of Pennsylvania in 1974, and owns and operates several facilities within the City. HDC is governed by a 17-member Board of Directors selected by a nominating committee of the Board. City officials do not serve on the Board or nominating committee. The City does guarantee the debt of an HDC project, but there is no indication of financial accountability.

The HDC operates and reports on a calendar year.

Harrisburg School District

In May 2000, the General Assembly of the Commonwealth passed Act 16 of 2000, entitled the Education Empowerment Act ("Act 16"), which was signed by the Governor. Soon after passage of the Act, the School District filed a legal challenge to Act 16 as it relates to the Mayor's control of the Harrisburg school and requested immediate injunctive relief from the Commonwealth Court of Pennsylvania. While Act 16 legal proceedings were pending, in November 2000, the General Assembly of the Commonwealth passed Act 91 of 2000, amending the Education Empowerment Act ("Act 91"), which was signed by the Governor. Soon after passage of Act 91, the School District filed a legal challenge as it relates to the Mayor's control of the Harrisburg schools and requested immediate injunctive relief. On December 15, 2000, the Commonwealth Court of Pennsylvania denied the injunction, thus permitting the implementation of Act 91. Act 91 directed the Mayor of the City to assume control of the School District, which was identified by the General Assembly as one of the most distressed and underachieving in the Commonwealth as of July 2000. Act 91 directs the Mayor to appoint a five-member board of directors and an eleven-member advisory board to assist him. Act 91 imposes no financial responsibilities on the City with respect to the School District. By an order dated July 22, 2003, the Pennsylvania Supreme Court upheld the amendments to the Pennsylvania Educational Empowerment Act which granted control of the Harrisburg School District to the Mayor, as confirmed.

The Harrisburg School District operates and reports on a fiscal year ending June 30.

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Joint Venture

The City is a participant with other municipalities in a joint venture that provides services to the constituents of all the participants. The City has no financial or equity interest in the joint venture. The following is a summary of the significant facts and circumstances for the joint venture for the year ended June 30, 2003:

Name of Organization	Cumberland-Dauphin-Harrisburg Transit Authority
Services Provided	Bus Service
City Board representation	Two of seven members
Fiscal Year	June 30
Current Assets	\$ 1,464,843
Fixed Assets, Net	\$ 3,267,180
Total Assets	\$ 14,732,023
Equity	\$ 12,937,482
Operating Revenue	\$ 6,347,629
Operating Loss	\$ (7,812,573)
Net Loss	\$ (642,406)
City Contribution to Operations	\$ 598,912

Related Organizations

The City Council and Mayor are also responsible for appointing the members of several boards, but the City's accountability for these organizations does not extend beyond making appointments. These boards include:

Broad Street Market Authority	Harrisburg Human Relations Commission
Planning Commission	Harrisburg Mayor's Commission on Literacy
Private Industry Council	License and Tax Appeals
Tri-County Regional Planning Commission	Electrical Code Advisory and Licensing
Emergency Planning Committee	Building Code Board of Appeals
Board of Health	Housing Code Board of Appeals
Historical and Architectural Review Board	Civil Service Board
Plumbing Board	Zoning Hearing Board
Harrisburg Economic Development Corporation	Revolving Loan Review Committee
Downtown Improvement District	Harris Com, Inc.
Harrisburg Civic Baseball Club	
Susquehanna Area Regional Airport Authority	

The amounts the City appropriated to these organizations during the year ended December 31, 2003 were immaterial to the basic financial statements.

The City owns the National Civil War Museum and the related artifacts (collectively, the facilities). During 2001, the City entered into an agreement to lease the facilities to a not-for-profit organization (organization) for \$1 per year. After five years, the City can notify the organization that it would like to

(continued)

renegotiate the rent payment based on the organization's ability to pay. The mayor is one of twenty-five potential board members of the organization. Payments made by the City, on behalf of the organization, for the year ended December 31, 2003, were \$382,269. The City provided a portion of the 2003 hotel tax proceeds to the organization in the amount of \$31,155. During the year ended December 31, 2003, the City provided a grant to the organization in the amount of \$100,000. Additionally, the City provided the organization with a loan in the amount of \$395,412. No repayment terms have been established for this loan.

The South Central Assembly for Effective Governance is an eight county consortium of government, business, education and community leaders charged with seeking creative ways to foster intergovernmental cooperation, to identify economies of scale in shared municipal services, to further sound, regional planning and growth management on a multi-metropolitan basis in the greater region, and to promote tourism and enhanced quality of life for all. The City appoints one member of the forty-five member board. Payments made by the City, on behalf of the South Central Assembly for Effective Governance, for the year ended December 31, 2003, were \$164,000.

B. *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers real estate, earned income, mercantile, franchise and hotel taxes, intergovernmental revenue, departmental earnings and investment income as meeting the available criteria. All other governmental fund revenues are recorded as cash is received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term obligations are recognized when due. Prepaid items and inventory purchases are reported as expenditures in the year when the items are purchased. Expenditures for claims, judgments, compensated absences and employer pension contributions are reported to the extent that they mature each period.

The City reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the governmental fund balance sheet and revenue is recognized.

The City reports the following major governmental funds:

General Fund – Accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the general operating fund of the City.

Grant Programs Fund - Accounts for the revenues and expenditures of federal, state, and other grant programs including the Community Development Block Grant Entitlement Program.

Debt Service Fund – Accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest and related costs.

Capital Projects Fund – Accounts for financial resources to be used for the acquisition, construction or improvement of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

Sewer Fund - Accounts for the revenues and expenses associated with the provision of sewerage service to the residents and commercial and industrial establishments of the City as well as six municipalities surrounding the City.

(continued)

Sanitation Fund - Accounts for the revenues and expenses associated with the provision of refuse collection and disposal services to the residents and commercial and industrial establishments of the City.

Harrisburg Senators Fund - Accounts for the revenues and expenses associated with the Harrisburg Senators minor league baseball franchise, owned by the City.

In addition, the City reports the following fund types:

Pension Trust Fund – Accounts for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions of police personnel.

Agency Funds – Account for situations where the City's role is purely custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The City follows GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* (Statement No. 20), for reporting and disclosure purposes. As permitted by Statement No. 20, the City has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or Interpretation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ***Cash and Cash Equivalents***

For the purpose of the Statement of Cash Flows, highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

E. ***Investments***

The City carries its investments at fair value. The fair value of the City's investments are based upon values provided by external investment managers and quoted market price.

(continued)

F. *Allowance for Uncollectible Accounts*

The allowance for uncollectible accounts is based upon historical ratios established according to experience and other factors which in the judgment of City officials deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

G. *Interfund Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

H. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, dams and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Assets acquired prior to 1982 have been valued by applying an inflation index to current replacement cost to determine estimated historical costs. The cost of such assets amounted to \$2,623,129 at December 31, 2003. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized.

During 2003, The Harrisburg Authority expended \$154,155 for Civil War artifacts, which management is displaying in the National Civil War Museum. The Harrisburg Authority also expended \$1,537,395 for artifacts relating to other pending museums in 2003. Artifacts, totaling \$26,791,712, have been recorded at cost in the governmental activities column of the government-wide financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

(continued)

Capital assets of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	5 to 100 years
Equipment and furniture	5 to 20 years
Infrastructure	50 to 150 years

I. *Vested Compensated Absences*

Vested compensated absences represent vested portions of accumulated unpaid vacation, sick pay and other employee benefit amounts. It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick pay and other employee benefit amounts, which will be paid to employees upon separation from City service. All vested compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. *Long-term Obligations*

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The City, The Harrisburg Authority and The Harrisburg Parking Authority follow the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. GASB Statement No. 23 requires that the difference between the reacquisition price and the net carrying amount of the defeased debt be deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. On the balance sheet, the amount of the unamortized deferred costs of refunding is reported as a deduction from the new liability. As of December 31, 2003, the unamortized deferred costs of refunding recorded by The Harrisburg Authority and the Harrisburg Parking Authority were \$38,299,813 and \$4,002,400, respectively.

K. *Interest Rate Swaps*

The City and its component units have entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

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L. *Fund Equity and Net Assets*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

Reserved Fund Balance – This category represents that portion of fund equity which has been legally segregated for specific purposes.

Unreserved Fund Balance – This category represents that portion of fund equity which is available for appropriation and expenditure in future periods.

The City records two general types of reserves. One type is used to indicate that a portion of fund equity is legally segregated for a specific future use. The second type of reserve is used to indicate that a portion of the fund equity is not appropriable for expenditures. Reserves used by the City are as follows:

Governmental Funds

Reserved for advances – An account used to indicate that long-term advances to other funds do not represent available, spendable resources even though they are a component of assets.

Reserved for capital outlay – An account used to segregate a portion of fund balance for assets restricted under terms of bond indentures, terms of grant agreements or City Council appropriation for the acquisition of capital assets.

Reserved for encumbrances – An account used to segregate a portion of fund balance for expenditure upon vendor performance.

Reserved for debt service – An account used to segregate a portion of fund balance for assets restricted to the payment of general long-term obligation principal and interest maturing in future years.

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Reserved for workers' compensation – An account used to segregate a portion of fund balance for assets restricted for payment of benefits to claimants in accordance with the provisions of the Pennsylvania Workers' Compensation Act.

Reserved for revolving loan program – An account used to segregate a portion of fund balance for assets restricted for use by the revolving loan program.

M. ***Pensions***

All full-time employees of the City, with the exception of police officers, are covered by an agent-multiple employer public employee retirement system, the Pennsylvania Municipal Retirement System (PMRS). Police officers are covered by the Combined Police Pension Plan, a single-employer pension plan. Contributions to the plans are made in amounts sufficient to fund current service costs and to fund prior and past service costs over a forty-year period. Member employees contribute amounts to the plans based on a percentage of salary. The City funds its pension plans on the basis of normal cost plus the amortization of prior service cost over thirty years in accordance with Act 205 - 1984 of the Pennsylvania legislature. Pension expense is based upon normal cost plus the equivalent to interest on the unfunded prior service costs. As of January 1, 2003, the date of the most recent actuarial valuation, there was an unfunded actuarial accrued pension liability in the amount of \$1,953,171.

N. ***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss except those related to injuries to employees. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City is self-insured for workers' compensation. As a self-insurer, the City is required to either establish a trust fund or purchase a surety bond to guarantee workers' claims in the event that the City would be unable to meet its obligations. Accordingly, the City has established a trust fund for workers' compensation claims. The City provides coverage for up to a maximum of \$500,000 for each workers' compensation claim, and has purchased commercial coverage for claims in excess of coverage provided by the City.

In the government-wide financial statements and proprietary fund types in the fund financial statements, the liability for outstanding claims is reported in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. A liability for these amounts is reported in governmental funds only if they have matured. The City has reserved its General Fund balance for the amount of the trust fund. The accrued cost for unpaid claims was \$2,712,650 and \$784,066 in the governmental activities and business-type activities, respectively, at December 31, 2003. These claims liabilities are discounted to present value at a discount rate of 5% and are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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CITY OF HARRISBURG, PENNSYLVANIA
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Change in the claims' liability amounts were as follows:

	Governmental Activities	Business-type Activities	2003	2002
Beginning – January 1	\$ 2,225,936	\$ 561,826	\$ 2,787,762	\$ 2,454,087
Current year claims and changes in estimates	1,308,724	495,942	1,804,666	1,048,786
Claim payments	<u>(822,010)</u>	<u>(273,702)</u>	<u>(1,095,712)</u>	<u>(715,111)</u>
Ending - December 31	<u>\$ 2,712,650</u>	<u>\$ 784,066</u>	<u>\$ 3,496,716</u>	<u>\$ 2,787,762</u>

O. *Budgets and Budgetary Accounting*

Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, State Liquid Fuels Tax Fund (nonmajor governmental fund), Sewer and Sanitation Funds. Annual budgets are adopted by ordinances passed by City Council. The City has established the following procedures relating to the preparation and adoption of the annual budget.

1. During August, budget preparation packages are prepared and submitted to the department heads/bureau chiefs for use in developing financial projections for their expenditures for the ensuing year.
2. The budget staff reviews the department heads'/bureau chiefs' expenditure projections and submits a first draft to the Business Administrator. Subsequent to the Business Administrator's review, the draft and recommendations are forwarded to the Mayor.
3. During September, departmental review forms are prepared and submitted to all department heads/bureau chiefs for use in developing financial projections for anticipated revenues for the ensuing year.
4. Mayoral hearings are then held with each department to discuss their budgets as submitted and allow them to substantiate projected expenditures.
5. After hearings, the budget staff again reviews the projections and presents to the Business Administrator options as to the most viable method of financing them.
6. A second draft is then given to the Mayor with the balanced budget prepared as a result of meetings held between the Mayor, the Business Administrator and the budget staff.
7. On the fourth Tuesday of November, the final Mayoral recommended budget is presented to City Council.
8. Council holds Budget and Finance Committee meetings to substantiate the proposed budget and arrive at any amendments to the budget.

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9. By December 31, the budget, as amended by Council, is legally enacted through the passage of an ordinance.

Appropriations are authorized by ordinance at the fund level with the exception of the General Fund, which is appropriated at the functional office or bureau level within each department except for the Office of Administration, which has separate budgets for administration and general expenditures. The City budgets at the bureau or functional office level for administration expenditures, and at the total employee benefits and purchases level for general expenditures in the general fund. Administrative control is maintained through the establishment of more detailed line-item budgets.

The Business Administrator may authorize transfers less than \$20,000 within a department or office. While City Council approval is required for transfers in excess of \$20,000 along budget lines, the City considers budgetary authority to be at the departmental level. In the absence of budgeted financing, City Council may approve a supplemental appropriation from unappropriated fund balances. Therefore, the legal level of control is the department level. There were supplemental appropriations enacted during 2003.

Annual budgets are legally adopted for the General Fund, Debt Service Fund, State Liquid Fuels Tax Fund (nonmajor governmental fund), and for the Sewer (net of applicable activity of The Harrisburg Authority) and Sanitation Funds. Budgets for governmental funds are prepared on a cash basis with respect to revenues and on an item voucher basis with respect to expenditures. Specific funds exempted from legally adopted budgetary requirements include:

- Grant Programs Fund
- Capital Projects Fund
- Parks and Property Improvement Fund (nonmajor governmental fund)
- Harrisburg Senators Fund

Over 30 different grant programs, which are accounted for in the grant programs fund, are administered under project budgets determined by contracts with state and federal grantor agencies. Effective expenditure control is achieved in the Capital Projects Fund through bond indenture provisions. Controls over spending in the Parks and Property Improvement Fund is achieved by the use of internal spending limits.

P. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental and proprietary fund types. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Encumbrances outstanding at year-end for unfilled obligations of the current year budget are reappropriated in the succeeding year. The City records encumbrances as reservations of fund balance in all governmental funds at year-end. Encumbrance accounting is used in proprietary fund types as a tool for budgetary control, but reserves are not reported. There were no encumbrances outstanding at December 31, 2003 in the proprietary funds. The subsequent year's appropriations provide authority to complete the transactions as expenditures. Encumbrances outstanding at December 31, 2003 consisted

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CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
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of \$4,184,141 in the Grant Programs Fund and are not reflected on the governmental funds balance sheet, because they relate to funds which have zero balances at year-end. Encumbrances outstanding which are reflected on the governmental funds balance sheet at December 31, 2003, by fund type, are presented below:

General	\$ 91,158
Capital projects	<u>506,662</u>
	<u>\$ 597,820</u>

Q. *Use of Estimates*

Management of the City has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. *Non-Recourse Debt Issue*

The Harrisburg Authority participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the Authority serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the Authority is a party to the trust indentures with the trustees, the agreements are structured such that there is no recourse against the Authority in the case of default. As such, the corresponding debt is not reflected on the Authority's balance sheet. As of December 31, 2003, non-recourse debt issues outstanding totaled \$244,855,000 including \$57,885,000 on behalf of the City.

S. *Pending Changes in Accounting Principles*

In May of 2002, the GASB issued Statement No. 39, "*Determining Whether Certain Organizations Are Component Units – An Amendment to GASB Statement No. 14.*" This Statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The City is required to adopt Statement No. 39 for their calendar year 2004 financial statements.

In March of 2003, the GASB issued Statement No. 40, "*Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3.*" This statement modifies or eliminates certain disclosures required under GASB Statement No. 3. The City is required to adopt Statement No. 40 for their calendar year 2005.

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In November of 2003, the GASB issued Statement No. 42 "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*" This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The City is required to adopt Statement No. 42 for their calendar year 2005.

In May of 2004, the GASB issued Statement No. 43 "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" The standards apply to other postemployment benefits (OPEB) that are included as trust funds in the financial reports of plan sponsors or employers, and to stand-alone financial reports of OPEB plans that are established as trusts, when issued by the public employee retirement systems, or other governmental entities that administer them. The Statement also provides requirement for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used is not a trust fund. The City is required to adopt Statement No. 43 for their calendar year 2007.

In June of 2004, the GASB issued Statement No. 44 "*Economic Condition Reporting: The Statistical Section.*" Statement No. 44 enhances and updates the statistical section that accompanies the City's basic financial statements to reflect the significant changes that have taken place in government finance, including the more comprehensive government-wide financial information required by GASB Statement No. 34. The City is required to adopt Statement No. 44 for their calendar year 2006.

In August of 2004, the GASB issued Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*" Statement No. 45 addresses how the City should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. The City is required to adopt Statement No. 45 for their calendar year 2008.

2. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

As of January 1, 2003, the City implemented the following GASB pronouncements:

STATEMENTS

- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An amendment of GASB Statement No. 33*
- No. 37 - *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*
- No. 41 - *Budgetary Comparison Schedules - Perspective Differences - an amendment of GASB Statement No. 34*

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INTERPRETATION

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. The City was required to implement the new requirements for the year ended December 31, 2003.

The more significant of the changes affecting the City as required by the new standards include:

- Management's discussion and analysis
- Basic financial statements
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements; and
 - Notes to the basic financial statements.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
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As a result of implementing these pronouncements for the year ended December 31, 2003, the following restatements were made to beginning fund balance and retained earnings accounts:

Primary Government

	General Fund	Capital Project Fund
	<u> </u>	<u> </u>
Fund balance, as of December 31, 2002	\$ 6,512,572	\$ 4,176,915
Correct reporting of receivables in accordance with GASB Statement No. 33	<u>1,087,659</u>	<u>38,179</u>
Fund balance, as of December 31, 2002 – restated	<u>\$ 7,600,231</u>	<u>\$ 4,215,094</u>
Retained earnings of the enterprise funds, as of December 31, 2002		\$ 1,255,899
Contributed capital of the enterprise funds, as of December 31, 2002		27,917,277
Sanitary and storm sewer infrastructure, net of accumulated depreciation		8,400,682
Correct reporting of accrued interest		<u>(204,681)</u>
Net assets of enterprise funds, as of December 31, 2002 – restated		<u>\$ 37,369,177</u>
Fund balances of general, special revenue and capital projects funds, as of December 31, 2002 – restated		\$ 12,543,872
Add: governmental long-term note receivable, as of December 31, 2003		1,799,900
Add: governmental capital assets, including general fixed assets and infrastructure, as of December 31, 2002		213,656,028
Deduct: accumulated depreciation, as of December 31, 2002 on above capital assets		(79,263,400)
Deduct: general obligation bonds payable and other long-term liabilities, as of December 31, 2002		(108,436,668)
Deduct: compensated absences payable, as of December 31, 2002		(8,985,675)
Deduct: workers' compensation payable, as of December 31, 2002		(2,225,936)
Deduct: accrued interest payable, as of December 31, 2002		(1,627,446)
Deduct: Deferred revenue, as of December 31, 2002		<u>(1,230,888)</u>
Net assets of governmental activities, as of December 31, 2002		<u>\$ 26,229,787</u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
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DECEMBER 31, 2003

Component Units

Retained earnings of the component units, as of December 31, 2002	\$ (45,225,210)
Contributed capital of the component units, as of December 31, 2002	663,338
Report dedicated sewer lines	<u>477,910</u>
Net assets of component units, as of December 31, 2002 – restated	<u>\$ (44,083,962)</u>

3. DEPOSITS AND INVESTMENTS

The deposit and investment policy of the City adheres to state statutes and prudent business practices. City deposits must be held in insured, federally regulated banks or financial institutions and must be fully collateralized in accordance with state statutes. Permissible investments include direct obligations of the U.S. Treasury and U.S. Governmental agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements not to exceed 30 days, secured by U.S. Government obligations with collateral to be delivered to a third-party custodian; shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions, or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and having the highest rating of a recognized bond rating agency; and pooled funds of public agencies of the Commonwealth of Pennsylvania. This policy is in accordance with applicable Pennsylvania statutes. There were no deposit or investment transactions that were in violation of either state statutes or the policy of the City at December 31, 2003, nor during the year then ended.

Proceeds from debt and other funds, which are held in bank trust accounts in the City's name and administered by trustees for payment of revenue bonds and the enterprise fund portion of general long-term debt, are classified as restricted assets since their use is limited by applicable bond indentures.

Deposits

The following summary presents the City deposits which are fully insured or collateralized with securities held by the City or its agent in the City's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name (Category 2) and those deposits which are not collateralized (Category 3) at December 31, 2003. Deposits which do not involve a transferable financial instrument are uncategorized.

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CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Neither the City nor its component units have any Category 2 deposits at December 31, 2003.

	Bank Balance				Reported
	Category 1	Category 3	Uncategorized	Total	Amount
Primary government					
Unrestricted cash	\$ 1,692,475	\$ 14,699,084	\$ 738,622	\$ 17,130,181	\$ 12,468,977
Restricted cash					
Cash	97,491	-	50,607	148,098	1,037,099
Cash with fiscal agents	15,494	-	-	15,494	15,494
Total restricted cash	112,985	-	50,607	163,592	1,052,593
Total primary government	<u>\$ 1,805,460</u>	<u>\$ 14,699,084</u>	<u>\$ 789,229</u>	<u>\$ 17,293,773</u>	<u>\$ 13,521,570</u>
Reconciliation to the Statement of Net Assets:					
Governmental activities					\$ 8,529,368
Business-type activities					3,845,016
Fiduciary funds					
Police pension trust fund					423,866
Agency fund					<u>723,320</u>
Total primary government					<u>\$ 13,521,570</u>

	Bank Balance				Reported
	Category 1	Category 3	Uncategorized	Total	Amount
Component units					
Unrestricted cash	\$ 400,000	\$ 10,745,995	\$ -	\$ 11,145,995	\$ 6,477,750
Restricted cash with fiscal agents	<u>307,356</u>	<u>2,161,585</u>	<u>142,901,432</u>	<u>145,370,373</u>	<u>150,010,521</u>
Total component units	<u>\$ 707,356</u>	<u>\$ 12,907,580</u>	<u>\$ 142,901,432</u>	<u>\$ 156,516,368</u>	<u>\$ 156,488,271</u>

Investments

The investments of the City at December 31, 2003 have been categorized according to the level of risk assumed by the reporting entity. Category 1 includes investments that are insured, registered, or are held by the City's agent in the City's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the City's name.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
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The City has no Category 1 or Category 2 investments at December 31, 2003.

	Category 3	Uncategorized	Carrying Amount	Fair Value
Primary government				
Unrestricted investments				
Fixed income funds	\$ -	\$ 20,118,355	\$ 20,118,355	\$ 20,118,355
Equity funds	-	17,830,433	17,830,433	17,830,433
Common stock	18,362,292	-	18,362,292	18,362,292
U.S. Treasury principal – only STRIPS	-	2,655,924	2,655,924	2,655,924
Total unrestricted investments	18,362,292	40,604,712	58,967,004	58,967,004
Restricted investments				
U.S. Obligations	1,215,762	-	1,215,762	1,215,762
Total restricted investments	1,215,762	-	1,215,762	1,215,762
Total primary government	<u>\$ 19,578,054</u>	<u>\$ 40,604,712</u>	<u>\$ 60,182,766</u>	<u>\$ 60,182,766</u>
Reconciliation to the Statement of Net Assets:				
Governmental activities				\$ 505,845
Business-type activities				709,917
Fiduciary funds				
Police pension trust fund				56,311,080
Agency fund				2,655,924
Total primary government				<u>\$ 60,182,766</u>

The City's component units have no Category 1 investments at December 31, 2003.

	Category 2	Category 3	Uncategorized	Carrying Amount	Fair Value
Component units					
Unrestricted investments					
Municipal bonds	\$ 800,000	\$ -	\$ -	\$ 800,000	\$ 800,000
Governmental bonds	2,801,651	-	-	2,801,651	2,801,651
Fixed income mutual funds	-	-	1,445,000	1,445,000	1,445,000
Total unrestricted investments	3,601,651	-	1,445,000	5,046,651	5,046,651
Restricted investments					
Fixed income funds	-	-	67,000	67,000	67,000
U.S. Treasury securities	326,094	3,143,766	-	3,469,860	3,469,860
Corporate bonds	5,219,894	4,976,207	-	10,196,101	10,196,101
Municipal bonds	-	20,994,814	-	20,994,814	20,994,814
U.S. Treasury principal – only STRIPS	-	-	16,112,184	16,112,184	16,112,184
Total restricted investments	5,545,988	29,114,787	16,179,184	50,839,959	50,839,959
Total component units	<u>\$ 9,147,639</u>	<u>\$ 29,114,787</u>	<u>\$ 17,624,184</u>	<u>\$ 55,886,610</u>	<u>\$ 55,886,610</u>

(continued)

Included in the component units restricted investments are Resolution Funding Corporation and U.S. Treasury principal-only STRIPS, which are uncategorized because securities are not used as evidence of the investment. These STRIPS are to be used, when they mature, to pay a portion of the principal and interest on The Harrisburg Authority Sewer Revenue Bonds, Series of 1984. There also are STRIPS in an investment account for which the Authority has not yet made the final determination of use. However, monies on deposit in the investment account may be applied by the Authority for any purpose permitted by the respective Sewer Revenue Indentures. These particular STRIPS have little credit and legal risk while the market risk is significant as principal-only STRIPS are more sensitive to fluctuations in interest rates than other traditional investments. The carrying amount of these STRIPS at December 31, 2003, was \$16,112,184 and is reported as part of restricted investments in the Statement of Net Assets.

4. PROPERTY TAXES

Based upon assessed valuations provided by the County of Dauphin (the County), the City bills and collects its own property taxes. Delinquent accounts are turned over to the County which collects the taxes on behalf of the City. The schedule for property taxes levied for 2003 is as follows:

January 1, 2003	- lien date
February 7, 2003	- original levy date
February 7 – April 7, 2003	- 2% discount period
April 8 – June 7, 2003	- face payment period
June 8 – December 31, 2003	- 10% penalty period
January 1, 2004	- turned over to County for collection

The City is permitted by the Third Class City Code to levy real estate taxes up to 25 mills on every dollar of assessed valuation for general City purposes. However, under an order of court dated December 20, 1982, the City was authorized to exceed the statutory general millage rate, up to a maximum of 30 mills.

The real property tax imposed by the City in 2003 was 4.069 mills on improvements and 24.414 mills on land. Both land and improvements are assessed at 100% of market value, with an effective combined equivalent single millage rate of 8.509 mills.

Property taxes are recorded as of the date levied. Amounts not collected within sixty days after the end of the year are deferred in the governmental funds.

In addition, City taxes may be paid in four installments due on or before January 31, March 31, May 31 and July 31 of the tax year with no discount period allowed. Any delinquent installment is subject to a penalty of 10%.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

5. INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at December 31, 2003, is as follows:

Primary Government	Due from Other Funds	Due to Other Funds	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 926,002	\$ 1,598,880	\$ 411,375	\$ -
Grant Programs Fund	1,414,358	536,523	-	133,975
Debt Service Fund	34,614	-	-	-
Capital Projects Fund	1,576,994	58,747	-	-
Nonmajor governmental funds	59,264	400,232	-	-
Total governmental funds	4,011,232	2,594,382	411,375	133,975
Sewer Fund	110,114	17,559	-	-
Sanitation Fund	6,484	177,482	-	277,400
Harrisburg Senators Fund	-	1,338,407	-	-
Total proprietary funds	116,598	1,533,448	-	277,400
Total primary government	\$ 4,127,830	\$ 4,127,830	\$ 411,375	\$ 411,375

Component Units	Due from Primary Government/ Component Units	Due to Component Units/ Primary Government	Advances to Primary Government/ Component Units	Advances From Component Units/ Primary Government
Primary Government				
General Fund	\$ 314,057	\$ -	\$ -	\$ 550,359
Capital Projects Fund	845,654	-	-	-
Sewer Fund	-	-	-	2,707,567
Component Units	-	1,159,711	3,257,926	-
Total	\$ 1,159,711	\$ 1,159,711	\$ 3,257,926	\$ 3,257,926

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

The composition of interfund transfers for the year ended December 31, 2003, is as follows:

<u>Primary Government</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 608,225	\$ 8,410,679
Grant Programs Fund	132,915	67,757
Debt Service Fund	8,040,903	-
Capital Projects Fund	70,954	11,286
Nonmajor governmental funds	-	171,039
	<u>8,852,997</u>	<u>8,660,761</u>
Total governmental funds		
Sanitation Fund	-	540,468
Harrisburg Senators Fund	348,232	-
	<u>348,232</u>	<u>540,468</u>
Total proprietary funds		
Total primary government	<u>\$ 9,201,229</u>	<u>\$ 9,201,229</u>

Interfund transfers were made primarily to fund debt service.

6. NOTE RECEIVABLE

On December 31, 2001, the City entered into an option agreement on the sale of property. The purchase price, as amended, was \$1,800,000, with \$1,799,900 due after closing as follows: 1) \$500,000 is due on the first anniversary of groundbreaking (2004); 2) \$500,000 is due on the sixth anniversary of closing or upon leasing of eighty percent of the rentable area of the building to be constructed on the property, whichever is earlier; and 3) \$799,900 due on the twelfth anniversary of closing.

As part of an agreement of sale for a parcel of land, the Harrisburg Parking Authority agreed to accept a note receivable in the amount of \$299,397. This note is non-interest bearing and due in five annual installments of \$59,879. The note matures in April 2007. As of December 31, 2003, the balance on this note totaled \$239,518.

7. INTERGOVERNMENTAL REVENUE, RECEIVABLES AND PAYABLES

The General Fund intergovernmental revenue for the year ended December 31, 2003, is as follows:

Commonwealth of Pennsylvania, Pension System Aid	\$ 2,865,461
Harrisburg Parking Authority, excess parking revenue	3,277,000
Commonwealth of Pennsylvania, Capital fire protection	1,020,000
Utilities payments in lieu of taxes from other governments	<u>37,343</u>
	<u>\$ 7,199,804</u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

The City also participates in a number of state and federal grant programs. Revenues from these programs are as follows:

Grant Programs Fund	
Community Development Block Grant	\$ 2,727,722
Lead Based Paint Grant	493,101
Emergency Shelter Grant	102,538
HOME Program	795,523
COPS in School	1,132,859
Urban Search and Rescue	2,905,152
Capital improvements grants	1,543,786
Other state/federal grants	<u>2,514,841</u>
	<u>\$ 12,215,522</u>

The Grant Programs Fund had deferred revenue of \$2,199,697 at December 31, 2003, representing payments received in advance for various grant programs. The remaining deferred revenues of \$5,250,063 represent deferred loans receivable.

8. RESTRICTED ASSETS

Revenue Bond and General Obligation Note Proceeds

Proceeds from debt and other funds, which are held in bank trust accounts and administered by trustees for payment of revenue bonds, are classified as restricted assets in the enterprise funds since their use is limited by applicable bond indentures.

Workers' Compensation Deposit

In accordance with the provisions of the Pennsylvania Workers' Compensation Act, the City has secured an exemption from the necessity of insuring its workers' compensation liability and has established and maintained a trust to provide a reserve for claimants entitled to benefits. Since inception, a total of \$600,000 has been deposited in a bank trust account through December 31, 2003. Interest of \$1,366,368 has been earned on the deposits and claims of \$700,000 have been paid from the trust account from inception through December 31, 2003, giving the City total assets held as reserves of \$1,266,369 at December 31, 2003, of which \$556,452 is included in the General Fund, \$450,412 is included in the Sewer Fund and \$259,505 is included in the Sanitation Fund as restricted cash and investments at December 31, 2003.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, is as follows:

Primary Government

	Beginning of Year (Restated)	Additions	Retirements and Dispositions	End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,553,471	\$ 23,100	\$ -	\$ 8,576,571
Archives	25,097,649	1,694,063	-	26,791,712
Total capital assets, not being depreciated	33,651,120	1,717,163	-	35,368,283
Capital assets, being depreciated:				
Buildings	62,416,625	1,059,907	(2,200)	63,474,332
Improvements	13,764,098	331,883	(1,200)	14,094,781
Equipment and furniture	23,845,785	2,018,384	(89,613)	25,774,556
Infrastructure	79,978,400	1,687,097	(2)	81,665,495
Total capital assets, being depreciated	180,004,908	5,097,271	(93,015)	185,009,164
Less accumulated depreciation for:				
Buildings	(17,216,400)	(1,581,973)	42	(18,798,331)
Improvements	(3,718,100)	(314,767)	82	(4,032,785)
Equipment and furniture	(18,838,900)	(1,552,884)	67,650	(20,324,134)
Infrastructure	(39,490,000)	(3,593,061)	2	(43,083,059)
Total accumulated depreciation	(79,263,400)	(7,042,685)	67,776	(86,238,309)
Total capital assets, being depreciated, net	100,741,508	(1,945,414)	(25,239)	98,770,855
Governmental activities, capital assets, net	<u>\$ 134,392,628</u>	<u>\$ (228,251)</u>	<u>\$ (25,239)</u>	<u>\$ 134,139,138</u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

	Beginning of Year (Restated)	Additions	Retirements and Dispositions	End of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 361,421	\$ -	\$ -	\$ 361,421
Total capital assets, not being depreciated	361,421	-	-	361,421
Capital assets, being depreciated:				
Buildings	33,198,262	665,670	-	33,863,932
Improvements	2,644,815	12,905	-	2,657,720
Equipment and furniture	38,337,087	771,751	(17,375)	39,091,463
Infrastructure	13,790,448	-	-	13,790,448
Senator's franchise fee (Note 18)	7,067,061	-	-	7,067,061
Total capital assets, being depreciated	95,037,673	1,450,326	(17,375)	96,470,624
Less accumulated depreciation for:				
Buildings	(13,821,881)	(752,907)	-	(14,574,788)
Improvements	(584,379)	(27,338)	-	(611,717)
Equipment and furniture	(22,479,153)	(933,246)	13,979	(23,398,420)
Infrastructure	(5,389,766)	(134,574)	-	(5,524,340)
Senator's franchise fee (Note 18)	(2,296,795)	(353,353)	-	(2,650,148)
Total accumulated depreciation	(44,571,974)	(2,201,418)	13,979	(46,759,413)
Total capital assets, being depreciated, net	50,465,699	(751,092)	(3,396)	49,711,211
Business-type activities, capital assets, net	<u>\$ 50,827,120</u>	<u>\$ (751,092)</u>	<u>\$ (3,396)</u>	<u>\$ 50,072,632</u>

Depreciation and amortization expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 1,359,778
Building and housing development	138,095
Public safety	1,163,780
Public works	3,799,269
Parks and recreation	581,763
Total depreciation expense – governmental activities	<u>\$ 7,042,685</u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Business-type activities:	
Sewer	\$ 1,577,642
Sanitation	233,036
Harrisburg Senators	<u>390,740</u>
Total depreciation and amortization expenses – business-type activities	<u><u>\$ 2,201,418</u></u>

Component Units

	<u>Beginning of Year</u> (Restated)	<u>Additions/ Transfers In</u>	<u>Retirements/ Transfers Out</u>	<u>End of Year</u>
The Harrisburg Authority:				
Capital assets, not being depreciated:				
Construction-in-progress	<u>\$ 763,061</u>	<u>\$ 4,891,899</u>	<u>\$ (763,061)</u>	<u>\$ 4,891,899</u>
Total capital assets, not being depreciated	<u>763,061</u>	<u>4,891,899</u>	<u>(763,061)</u>	<u>4,891,899</u>
Capital assets, being depreciated:				
Land improvements	1,215,539	8,075	-	1,223,614
Buildings and improvements	33,262,881	2,122,599	-	35,385,480
Furniture and fixtures	227,012	-	-	227,012
Machinery and equipment	<u>89,221,808</u>	<u>2,137,961</u>	<u>-</u>	<u>91,359,769</u>
Total capital assets, being depreciated	123,927,240	4,268,635	-	128,195,875
Less accumulated depreciation	<u>(26,286,951)</u>	<u>(2,734,472)</u>	<u>-</u>	<u>(29,021,423)</u>
Total capital assets, being depreciated, net	<u>97,640,289</u>	<u>1,534,163</u>	<u>-</u>	<u>99,174,452</u>
The Harrisburg Authority, capital assets, net	<u><u>\$ 98,403,350</u></u>	<u><u>\$ 6,426,062</u></u>	<u><u>\$ (763,061)</u></u>	<u><u>\$104,066,351</u></u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

	<u>Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Retirements/ Transfers Out</u>	<u>End of Year</u>
Harrisburg Parking Authority:				
Capital assets, not being depreciated:				
Land	\$ 7,918,278	\$ 292,326	\$ -	\$ 8,210,604
Construction-in-progress	24,660	256,844	-	281,504
Total capital assets, not being depreciated	<u>7,942,938</u>	<u>549,170</u>	<u>-</u>	<u>8,492,108</u>
Capital assets, being depreciated:				
Land improvements	127,922	-	-	127,922
Buildings and improvements	67,865,345	314,656	-	68,180,001
Furniture and fixtures	282,079	-	-	282,079
Machinery and equipment	1,918,828	78,064	-	1,996,892
Total capital assets being depreciated	<u>70,194,174</u>	<u>392,720</u>	<u>-</u>	<u>70,586,894</u>
Less accumulated depreciation	<u>(14,310,420)</u>	<u>(2,542,595)</u>	<u>-</u>	<u>(16,853,015)</u>
Total capital assets, being depreciated, net	<u>55,883,754</u>	<u>(2,149,875)</u>	<u>-</u>	<u>53,733,879</u>
Harrisburg Parking Authority capital assets, net	<u>\$ 63,826,692</u>	<u>\$ (1,600,705)</u>	<u>\$ -</u>	<u>\$ 62,225,987</u>

10. LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2003, is as follows:

Primary Government

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Accretion</u>	<u>Retirements</u>	<u>End of Year</u>	<u>Current Portion</u>
Governmental activities:						
Workers' compensation claims	\$ 2,225,936	\$ 1,308,724	\$ -	\$ (822,010)	\$ 2,712,650	\$ 610,075
Bonds payable (Note 11)	61,661,400	-	3,063,767	(7,715,630)	57,009,537	7,791,993
Notes payable (Note 13)	38,454,637	627,800	1,854,569	(350,000)	40,587,006	421,767
Capitalized lease obligations (Note 14)	8,320,631	-	-	(1,256,942)	7,063,689	1,207,285
Vested compensated absences	8,985,675	379,047	-	-	9,364,722	466,363
Governmental activity Long-term liabilities	<u>\$ 119,648,279</u>	<u>\$ 2,315,571</u>	<u>\$ 4,918,336</u>	<u>\$ (10,144,582)</u>	<u>\$ 116,737,604</u>	<u>\$ 10,497,483</u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
Business-type activities:						
Workers' compensation claims	\$ 561,826	\$ 495,942	\$ -	\$ (273,702)	\$ 784,066	\$ 176,337
Bonds payable (Note 11)	8,351,702	-	17,173	(99,370)	8,269,505	80,737
Capitalized lease obligations (Note 14)	434,524	-	-	(42,708)	391,816	76,623
Vested compensated absences	547,747	74,785	-	-	622,532	31,002
Lease rental payable (Note 14)	11,838,014	-	-	(967,500)	10,870,514	1,861,450
Business-type activity Long-term liabilities	<u>\$ 21,733,813</u>	<u>\$ 570,727</u>	<u>\$ 17,173</u>	<u>\$ (1,383,280)</u>	<u>\$ 20,938,433</u>	<u>\$ 2,226,149</u>

Component Units

	Beginning of Year	Additions	Accretion/ Amortization	Retirements	End of Year	Current Portion
The Harrisburg Authority:						
Bonds payable (Note 11)	\$ 210,425,000	\$ 204,090,000	\$ -	\$ (77,660,000)	\$ 336,855,000	\$ 5,890,000
Notes payable (Note 13)	45,035,407	53,370,000	-	(25,330,547)	73,074,860	143,302
Total bonds and notes payable	255,460,407	257,460,000	-	(102,990,547)	409,929,860	6,033,302
Less:						
Deferred loss on refunding	(21,390,143)	(19,558,815)	2,649,145		(38,299,813)	-
Unamortized premium (discount)	(13,580,615)	11,476,949	3,087,990		984,324	-
The Harrisburg Authority Long-term liabilities	<u>\$ 220,489,649</u>	<u>\$ 249,378,134</u>	<u>\$ 5,737,135</u>	<u>\$(102,990,547)</u>	<u>\$ 372,614,371</u>	<u>\$ 6,033,302</u>
Harrisburg Parking Authority						
Bonds payable (Note 11)	\$ 87,215,000	\$ 25,685,000	\$ -	\$ (26,945,000)	\$ 85,955,000	\$ 1,800,000
Less:						
Deferred loss on refunding	(3,291,067)	(914,396)	203,063	-	(4,002,400)	-
Unamortized premium (discount)	(166,334)	789,910	12,796	275,003	911,375	-
Harrisburg Parking Authority Long-term liabilities	<u>\$ 83,757,599</u>	<u>\$ 25,560,514</u>	<u>\$ 215,859</u>	<u>\$ (26,669,997)</u>	<u>\$ 82,863,975</u>	<u>\$ 1,800,000</u>

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CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

11. BONDS PAYABLE

Bonds payable at December 31, 2003 are as follows:

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>The</u>	<u>Harrisburg</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Primary</u>	<u>Harrisburg</u>	<u>Parking</u>	<u>Component</u>
			<u>Government</u>	<u>Authority</u>	<u>Authority</u>	<u>Units</u>
Bonds payable	\$ 57,009,537	\$ 8,269,505	\$ 65,279,042	\$336,855,000	\$ 85,955,000	\$422,810,000
Deferred loss on refunding	-	-	-	(38,299,813)	(4,002,400)	(42,302,213)
Unamortized premium (discount)	-	-	-	(9,230)	911,375	902,145
Total bonds payable	<u>\$ 57,009,537</u>	<u>\$ 8,269,505</u>	<u>\$ 65,279,042</u>	<u>\$298,545,957</u>	<u>\$ 82,863,975</u>	<u>\$381,409,932</u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Bonds payable are accounted for in the following activities and component units:

	Governmental Activities	Business- type Activities	Total Primary Government	The Harrisburg Authority	Harrisburg Parking Authority	Total Component Units
General Obligation Bonds						
Series A of 1995	\$ 1,608,263	\$ 16,737	\$ 1,625,000	\$ -	\$ -	\$ -
Series A and B of 1995	20,736,292	262,705	20,998,997	-	-	-
Series A-1 of 1997	-	7,975,000	7,975,000	-	-	-
Series D of 1997	33,475,045	-	33,475,045	-	-	-
Series E of 1997	1,189,937	15,063	1,205,000	-	-	-
Total general obligation bonds	57,009,537	8,269,505	65,279,042	-	-	-
Revenue Bonds						
Water Revenue Bonds						
Series A of 2003	-	-	-	56,535,000	-	56,535,000
Water Revenue Bonds						
Series A, B, C, and D of 2002	-	-	-	48,825,000	-	48,825,000
Water Revenue Bonds						
Series A of 2001	-	-	-	6,925,000	-	6,925,000
Water Revenue Bonds						
Series A of 1994	-	-	-	31,440,000	-	31,440,000
Sewer Revenue Refunding						
Series of 1992	-	-	-	15,575,000	-	15,575,000
Sewer Revenue Bonds,						
Second and Third Series of 1989	-	-	-	15,575,000	-	15,575,000
Sewer Revenue Refunding						
Bonds						
Series of 1984	-	-	-	2,455,000	-	2,455,000
Resource Recovery Facility						
Bonds						
Series A, D, E and F of 2003	-	-	-	147,555,000	-	147,555,000
Resource Recovery Facility						
Bonds						
Series A of 1998	-	-	-	11,970,000	-	11,970,000
Office and Parking Revenue						
Bonds						
Series K of 2000	-	-	-	-	11,800,000	11,800,000
Series J of 2001	-	-	-	-	29,395,000	29,395,000
Series of 2001	-	-	-	-	19,075,000	19,075,000
Series N of 2003	-	-	-	-	7,905,000	7,905,000
Series O of 2003	-	-	-	-	17,780,000	17,780,000
Less: Deferred loss on refunding and unamortized discount	-	-	-	(38,309,043)	(3,091,025)	(41,400,068)
Total revenue bonds	-	-	-	298,545,957	82,863,975	381,409,932
Total bonds payable	\$ 57,009,755	\$ 8,269,505	\$ 65,279,042	\$298,545,957	\$ 82,863,975	\$381,409,932

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Under the terms of its respective debt agreements, the City is required to maintain certain balances in restricted trust accounts, to make timely payments to the trustee or to a sinking fund for principal and interest, and to insure and maintain assets acquired with the proceeds of the debt.

Management believes that the City has complied in all material respects with the terms of its respective debt agreements.

The composition of bonds outstanding included in the primary government at December 31, 2003 is as follows:

General Obligation Bonds

4.80%, General Obligation Bonds, Series A of 1995, dated September 15, 1995, principal payable in annual installments of \$1,625,000 through April 15, 2004, to be serviced through general revenues of the City and through operating revenues of the Sanitation facility.	\$ 1,625,000
5.60%-6.84%, General Obligation Bonds, Series A and B of 1995, dated December 15, 1995, principal payable in annual installments of \$2,541,443 to \$3,414,223 through April 1, 2010, to be serviced through general revenues of the City and through sewer operating revenues and State Liquid Fuels Funds.	20,998,997
7.56%-7.75%, Federally Taxable General Obligation Bonds, Series A1 of 1997, dated January 5, 1998, principal payable in annual installments of \$5,000 to \$1,775,000 through September 1, 2009. These bonds are included in the City's enterprise fund and are to be serviced through fund operations.	7,975,000
4.65%-5.52%, General Obligation Refunding Bonds, Series D of 1997, dated December 30, 1997, principal payable in semi-annual installments of \$590,370 to \$3,006,046 through September 15, 2022, to be serviced through general revenues of the City.	33,475,045
6.42%, Federally Taxable General Obligation Refunding Bonds, Series E of 1997, dated December 30, 1997, principal payable in annual installments of \$1,205,000, beginning on March 15, 1999 through March 15, 2004, to be serviced through general revenues of the City.	<u>1,205,000</u>
Total primary government bonds payable	<u><u>\$ 65,279,042</u></u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

The composition of bonds outstanding included in the component units at December 31, 2003 is as follows:

The Harrisburg Authority

Revenue Bonds

1.35%, Water Revenue Bonds, Series A of 2003 dated July 2003. Series A matures at various amounts from 2005 through 2029.	\$ 56,535,000
1.22% - 5.65%, Water Revenue Bonds, Series A, B, C, and D of 2002 dated July 3, 2002. Series A matures at various amounts from 2023 through 2029. Series B matures at various amounts from 2011 through 2017. Series C matures in 2029. Series D matures at various amounts from 2010 through 2011.	48,825,000
3.40% - 5.75%, Water Revenue Bonds, Series A of 2001, dated May 2001. The bonds mature at various amounts from 2002 through 2015.	6,925,000
2.60% - 5.30%, Water Revenue Bonds, Series of 1994, dated February 10, 1994, consisting of Fixed Rate Bonds, Series A-1, Short-term Auction Rate Securities, Series A-2, and Complimentary Auction Rate Securities, Series A-3. The Fixed Rate Bonds mature at various amounts through 2011 and the Short-term Auction Rate Securities and the Complimentary Auction Rate Securities mature at various amounts from 2012 through 2016.	31,440,000
6.0% - 6.8%, Sewer Revenue Refunding Bonds, Series of 1992 dated March 3, 1992, principal payable in various amounts from 1998 through 2012 and are collateralized by lease rentals paid by the City to the Authority.	15,575,000
6.80% - 7.15%, Sewer Revenue Refunding Bonds, Second and Third Series of 1989. The first Series matured on January 1, 2002 and the Second and Third Series mature at various amounts through 2012.	15,575,000
9.75% - 10.5%, Sewer Revenue Refunding Bonds, Series of 1984 consisting of compound interest bonds which mature on January 1, 2008.	2,455,000
4.00% - 6.25%, Resource Recovery Revenue Bonds, Series A, D, E and F of 2003. Series A mature at various amounts from 2018 through 2034. Series D mature at various amounts from 2017 to 2033. Series E and F mature at various amounts from 2009 to 2017.	147,555,000
4.45% - 5.00%, Resource Recovery Revenue Bonds, Series A of 1998. Series A mature at various amounts from 2006 through 2021.	<u>11,970,000</u>

Total The Harrisburg Authority	336,855,000
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Less: Deferred loss on refunding and unamortized discount	<u>(38,309,043)</u>
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Net The Harrisburg Authority	<u><u>\$ 298,545,957</u></u>
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(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Harrisburg Parking Authority
Revenue Bonds

Variable rate, Series K Bonds, dated June 1, 2000, consisting of term bonds maturing December 2023 and December 2024. The interest rate varies approximately at BMA and was 1.15% at December 31, 2003.	\$ 11,800,000
2.80% - 5.00%, Series J Bonds, dated September 1, 2001, consisting of serial bonds maturing from September 1, 2003 to September 1, 2022 in annual installments of various amounts.	29,395,000
3.00% - 5.75%, Guaranteed Parking Revenue Bonds Series of 2001, dated December 15, 2001, consisting of serial bonds maturing from May 15, 2003 to May 15, 2025 in annual installments of various amounts.	19,075,000
2.50% - 4.30%, Series N Bonds, dated October 28, 2003, consisting of serial bonds maturing from November 15, 2004 to November 15, 2016 in annual installments of various amounts.	7,905,000
1.50% - 5.25%, Series O Bonds, dated November 18, 2003, consisting of serial bonds maturing from August 1, 2004 to August 1, 2016 in annual installments of various amounts.	<u>17,780,000</u>
Total Harrisburg Parking Authority	85,955,000
Less: Deferred loss on refunding and unamortized premium	<u>(3,091,025)</u>
Net Harrisburg Parking Authority	<u>\$ 82,863,975</u>
Total component unit bonds payable	<u>\$ 381,409,932</u>

In July 2003, The Harrisburg Authority issued Series A of 2003, Variable Rate Water Revenue Refunding Bonds, in the principal amount of \$56,535,000. The proceeds of the 2003 Bonds, after deductions of issuance costs of \$1,351,690, were \$54,768,310. The proceeds of the 2003 Bonds were used to currently refund the outstanding Water Revenue Refunding Bonds, Series B of 1993, to fund a termination payment payable to Societe Generale, to fund a deposit to the 2003 Debt Service Reserve Fund; and to pay costs of issuance. As part of this restructuring, the City has subordinated its administrative charges and changed the priority of payment of its administrative charges as defined in the Trust Indenture. The Harrisburg Authority completed the current refunding to reduce its total debt service payments through the year 2029 by \$5.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.4 million.

In June 2003, The Harrisburg Authority issued Series A of 2003, Guaranteed Federally Taxable Resource Recovery Facility Subordinate Revenue and Refunding Revenue Bonds, Series B of 2003, Guaranteed Federally Taxable Resource Recovery Facility Subordinate Variable Rate Refunding Revenue Notes, and Series C of 2003, Guaranteed Resource Recovery Facility Subordinate Refunding Revenue Notes (collectively, the 2003 Notes), in the principal amounts of \$22,555,000, \$29,085,000 and \$24,285,000, respectively. The remaining proceeds of the 2003 Notes, after additions for bond premiums of \$3,370,452 and deductions of issuance costs of \$2,913,249, were \$76,382,203. The

(continued)

proceeds of the 2003 Notes, along with available moneys, were used to finance a project consisting of: (i) advance refunding or otherwise retiring (A) a portion of the 1998A Bonds, (B) all of the outstanding 1998B Bonds, 1998C Bonds and 1998D Bonds and (C) all of the outstanding 2000 Notes; (ii) funding working capital to assist in paying costs of compliance with the Derating Agreements and of maintaining the site of Waste Management Facility; (iii) funding the establishment of Debt Service Reserve Fund for the 2003 Notes; and (iv) payment of the costs of issuing the 2003 Notes, including the costs of a municipal bond insurance premium. The 2003 Notes are not secured by a lien on or a pledge of the Receipts and Revenues, and are subordinate in priority of payment to the outstanding 1998A Bonds, the 2002 Notes and the 2003 Bonds, and to payments into funds and accounts created under the 1998 Indenture for the benefit of the 1998A Bonds and to payments into the funds and accounts created under the Indenture for the benefit of the 2003 Bonds. The 2003B Notes bear interest at a taxable term rate of 3.7% per annum until June 15, 2010, on which date the 2003B Notes are subject to conversion to tax-exempt weekly mode, bearing interest thereafter at a tax-exempt weekly rate, or upon failure of such conversion to a tax-exempt weekly mode, at a taxable weekly rate. Through the issuance of the 2003 Notes, The Harrisburg Authority has effected a significant restructuring of its Resource Recovery Facility long-term indebtedness, which The Harrisburg Authority expects will result in annual debt service savings through 2022. The restructuring, however, will result in increased debt service payments beginning in the year 2023 through the final maturity of the 2003 Notes in 2034. The increased debt service payments through 2034 are expected to be approximately \$51 million, with an economic loss (the difference between the present values of the old and new debt service payments) of \$3.3 million.

In December 2003, The Harrisburg Authority issued Series D of 2003, Guaranteed Resource Recovery Facility Revenue Bonds, Series E of 2003, Guaranteed Federally Taxable Resource Recovery Facility Revenue Bonds and Series F of 2003, Guaranteed Federally Taxable Resource Recovery Facility Revenue Bonds, in the principal amounts of \$96,480,000, \$14,500,000 and \$14,020,000, respectively. The remaining proceeds of the 2003 Bonds, after additions for bond premiums of \$8,106,497 and deductions of issuance costs of \$10,196,454, were \$122,910,043. The proceeds of the 2003 Bonds are to be used to finance a project consisting of: (i) financing the costs of the Retrofit; (ii) funding a Debt Service Reserve Fund for the 2003 Bonds; (iii) providing working capital to The Harrisburg Authority to pay estimated interest on the 1998A Bonds, the 2002 Notes, and the 2003 Notes during the construction period for the Retrofit; (iv) paying estimated capitalized interest on the 2003 Bonds; (v) paying transition costs of operating the Transfer Station and maintaining the Facility during the shutdown of the Resource Recovery Facility and the construction period for the Retrofit; and (vi) paying the costs of issuance of the 2003 Bonds, including the bond insurance premium and guaranty fees to the City and the County.

The Harrisburg Authority has entered into seven debt service forward delivery agreements with a financial intermediary that result in a forward swap of interest earned on amounts placed in various debt service sinking funds. In exchange for cash payments to The Harrisburg Authority at the inception of the agreements totaling approximately \$4,038,000, the financial intermediary has the right to invest the funds on hand in the sinking funds and retain the investment earnings. The amounts received were recorded as deferred revenue in The Harrisburg Authority's financial statements because the substance of these agreements effectively is to pay The Harrisburg Authority currently for interest that normally would be earned in later years. The deferred revenue resulting from these transactions of \$3,402,011 at December 31, 2003, is being amortized over the respective life of each agreement under a method that approximates the interest method.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

During the year ended December 31, 2002, The Harrisburg Authority entered into a forward bond purchase agreement providing for the issuance and sale by The Harrisburg Authority of a maximum of \$34,000,000 of Variable Rate Water Revenue Refunding Bonds, Series of 2004 (2004 Bonds) in August 2004. The proceeds of 2004 Bonds, after deductions for bond discounts and issuance costs, are to effect a current refunding of the outstanding 1994 Water Revenue Refunding Bonds. After the issuance of the 2004 Bonds, the 1994 Bonds will no longer be an outstanding liability. In connection with the issuance of the 2004 Bonds, The Harrisburg Authority has entered into a forward interest rate swap agreement. Under the 2004 bond swap agreement, The Harrisburg Authority will be obligated to pay the swap counterparty amounts calculated at an agreed-upon fixed rate of 5.1% per year and The Harrisburg Authority will receive payments from the swap counterparty based on a variable rate, based on BMA index, on a notional amount corresponding to the principal of the 2004 Bonds outstanding from time to time.

In 2003, the Harrisburg Parking Authority issued Harrisburg Parking Authority Guaranteed Parking Revenue Refunding Bonds, Series N of 2003 (Series N Bonds) principal amount of \$7,905,000 (plus accrued interest of \$10,051 plus an original issue premium of \$98,721) with interest rates ranging from 2.50% to 4.30% to advance refund \$7,400,000 of outstanding Series F Bonds. The net proceeds of \$7,024,776 (after payment of \$267,997 in issuance costs and \$982,000 to fund the termination amount to terminate a forward interest swap agreement relating to the Series N Bonds), were used to currently refund the Harrisburg Parking Authority's Guaranteed Parking Revenue Refunding Bonds, Series F of 1993, establish the necessary reserves under the Indenture, and payment of the costs and expenses associated with the issuance of the Series N Bonds. As a result, the Series F Bonds are considered to be defeased and the liability for those bonds has been removed from the Harrisburg Parking Authority's Statement of Net Assets. The Harrisburg Parking Authority completed the Series N current refunding to reduce its total debt service payments through the year 2016 by \$15,655 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$19,249.

In 2003, the Harrisburg Parking Authority issued the Harrisburg Parking Authority Guaranteed Parking Revenue Refunding Bonds, Series O of 2003 (Series O Bonds) principal amount of \$17,780,000 (plus accrued interest of \$5,442 plus an original issue premium of \$691,189) with interest rates ranging from 1.50% to 5.25% to advance refund \$17,350,000 of outstanding Series H Bonds. The net proceeds of \$18,316,612 (after payment of \$460,990 in issuance costs and deposits of \$1,778,000 to the Series O Debt Service Reserve Fund) together with \$1,491,883 from various Series H trust accounts and additional funds of \$252,000 from the Authority, were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all debt service payments on the Series H Bonds. As a result, the Series H Bonds are considered to be defeased and the liability for those bonds has been removed from the Harrisburg Parking Authority's Statement of Net Assets. The Harrisburg Parking Authority completed the Series O current refunding to reduce its total debt service payments through the year 2016 by \$711,714 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately \$700,000.

The Harrisburg Parking Authority has entered into a debt service forward delivery agreement with a financial intermediary that results in a forward swap of interest earned on amounts placed in the debt service sinking fund. In exchange for cash payments at the inception of the agreement totaling \$558,584, the financial intermediary has the right to invest the funds on hand in the sinking fund and retain the investment earnings. The amount received was recorded as deferred revenue in the

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Harrisburg Parking Authority's financial statements because the substance of this agreement effectively is to pay the Harrisburg Parking Authority currently for interest that normally would be earned in later years. During 2003, the amounts received from the Series F, G and H bonds, were removed. The deferred revenue remaining from Series J, totaling \$210,000, is being amortized over the respective life of the agreement under a method that approximates the interest method. Amortization for the year ended December 31, 2003, totaled \$23,427.

The Harrisburg Parking Authority entered into a 19-year interest rate swap agreement for their Series I bonds. Based on the swap agreement, the Harrisburg Parking Authority owed interest calculated at a variable rate to the counterparty to the swap. In return, the counterparty owed the Harrisburg Parking Authority interest on a fixed rate that matched the rate required by the bonds. Only the net difference in interest payments was actually exchanged with the counterparty. The Series I bond principal was not exchanged; it was only the basis on which the interest payments were calculated. In order to minimize the risk of interest rate fluctuations, the Harrisburg Parking Authority entered into an interest rate cap agreement for the duration of the interest rate swap agreement.

This agreement was transferred to the "Guaranteed Parking Revenue Bonds, Series J of 2001" when the Series I Bonds were defeased. The Harrisburg Parking Authority pays interest to bondholders at the fixed rate provided by the bonds. However, during the term of the swap agreement, the Harrisburg Parking Authority effectively pays a variable rate on the debt.

The debt service requirements for Series F Bonds are payable solely from and are secured by a pledge of (1) all the right, title, and interest of the Harrisburg Parking Authority in and to the Coordinated Parking Fund, (2) all amounts on deposit and investment securities in any fund or account established under the related bond indenture, (3) a guaranty by the City, and (4) a municipal bond insurance policy. Amounts on deposit in the Coordinated Parking Fund are to be transferred to the Debt Service Fund created under the bond indenture and used to make required debt service payments on the Series F Bonds. These Bonds have been defeased through the issuance of the Harrisburg Parking Authority Guaranteed Parking Revenue Refunding Bonds, Series N of 2003.

Debt service on the Series G and Series H Bonds was payable from certain Capital Replacement Reserve Funds held by the Harrisburg Parking Authority established under the Cooperation Agreement.

The Series G and Series H Bonds were also secured by a pledge of (1) all amounts on deposit and investment securities in any fund established under the related bond indenture, (2) the City's guaranty, and (3) a municipal bond insurance policy. The annual payment of debt service on the Series G and Series H Bonds is subordinated to provision of funds to cover 130% of the debt service on the Harrisburg Parking Authority Series F Bonds. The Series H Bonds have been defeased through the issuance of the Harrisburg Parking Authority Guaranteed Parking Revenue Bonds, Series O of 2003.

As noted above, the City has guaranteed the payment of debt service on the Harrisburg Parking Authority's bonds and notes pursuant to certain Guaranty Agreements. Concurrent with the execution of the Guaranty Agreements, the Harrisburg Parking Authority also executed certain Reimbursement Agreements with the City whereby the Harrisburg Parking Authority agreed to reimburse the City for any payments made by the City under the aforementioned Guaranty Agreements.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
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DECEMBER 31, 2003

The Harrisburg Parking Authority bond indentures contain certain financial and reporting covenants. At December 31, 2003, management believes that the Harrisburg Parking Authority was in compliance with such covenants.

The annual requirements to amortize all bonds outstanding as of December 31, 2003 are as follows:

	General Obligation		Revenue		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
Primary Government						
2004	\$ 7,872,730	\$ 893,830	\$ -	\$ -	\$ 7,872,730	\$ 893,830
2005	6,346,773	1,064,639	-	-	6,346,773	1,064,639
2006	6,206,302	1,196,301	-	-	6,206,302	1,196,301
2007	6,022,431	1,386,757	-	-	6,022,431	1,386,757
2008	5,727,745	1,524,945	-	-	5,727,745	1,524,945
2009-2013	18,052,180	8,824,270	-	-	18,052,180	8,824,270
2014-2018	11,376,552	11,093,448	-	-	11,376,552	11,093,448
2019-2022	3,691,811	5,538,189	-	-	3,691,811	5,538,189
	65,296,524	31,522,378	-	-	65,296,524	31,522,378
Less unamortized discount	(17,482)	-	-	-	(17,482)	-
Primary Government, net	<u>\$ 65,279,042</u>	<u>\$ 31,522,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,279,042</u>	<u>\$ 31,522,378</u>
The Harrisburg Authority						
2004	\$ -	\$ -	\$ 5,890,000	\$ 10,551,588	\$ 5,890,000	\$ 10,551,588
2005	-	-	6,045,000	10,025,496	6,045,000	10,025,496
2006	-	-	6,900,000	12,172,714	6,900,000	12,172,714
2007	-	-	6,295,000	13,685,120	6,295,000	13,685,120
2008	-	-	8,010,000	13,791,806	8,010,000	13,791,806
2009-2013	-	-	55,095,000	64,287,547	55,095,000	64,287,547
2014-2018	-	-	54,020,000	53,499,574	54,020,000	53,499,574
2019-2023	-	-	48,275,000	43,491,159	48,275,000	43,491,159
2024-2028	-	-	79,415,000	27,002,779	79,415,000	27,002,779
2029-2033	-	-	59,710,000	8,375,564	59,710,000	8,375,564
2034	-	-	7,200,000	450,000	7,200,000	450,000
	-	-	336,855,000	257,333,347	336,855,000	257,333,347
Less deferred loss on refunding and unamortized discount	-	-	(38,309,043)	-	(38,309,043)	-
The Harrisburg Authority, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,545,957</u>	<u>\$ 257,333,347</u>	<u>\$ 298,545,957</u>	<u>\$ 257,333,347</u>
Harrisburg Parking Authority						
2004	\$ -	\$ -	\$ 1,800,000	\$ 3,282,786	\$ 1,800,000	\$ 3,282,786
2005	-	-	2,510,000	3,400,336	2,510,000	3,400,336
2006	-	-	2,570,000	3,337,271	2,570,000	3,337,271
2007	-	-	2,640,000	3,269,229	2,640,000	3,269,229
2008	-	-	2,720,000	3,188,134	2,720,000	3,188,134
2009-2013	-	-	15,785,000	14,167,418	15,785,000	14,167,418
2014-2018	-	-	20,845,000	10,216,257	20,845,000	10,216,257
2019-2023	-	-	28,805,000	4,520,033	28,805,000	4,520,033
2024-2028	-	-	8,280,000	298,037	8,280,000	298,037
	-	-	85,955,000	45,679,501	85,955,000	45,679,501
Less deferred loss on refunding and unamortized premium	-	-	(3,091,025)	-	(3,091,025)	-
Harrisburg Parking Authority, net	<u>-</u>	<u>-</u>	<u>82,863,975</u>	<u>45,679,501</u>	<u>82,863,975</u>	<u>45,679,501</u>
Total	<u>\$ 65,279,042</u>	<u>\$ 31,522,378</u>	<u>\$ 381,409,932</u>	<u>\$ 303,012,848</u>	<u>\$ 446,688,974</u>	<u>\$ 334,535,226</u>

(continued)

12. DEFEASANCE OF DEBIT

The City and its component units defeased general obligation and other bonds in prior years by placing the proceeds of net bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. At December 31, 2003, the following bonds outstanding are considered defeased:

City of Harrisburg	
General Obligation Bonds, Series B of 1979	\$ 2,745,000
General Obligation Bonds, Series of 1984	1,205,000
General Obligation Bonds, Series A of 1995	35,415,000
General Obligation Bonds, Series B-1 of 1997	22,170,000
The Harrisburg Authority	
Guaranteed Sewer Revenue Bonds, Series of 1978	3,500,000
Water Revenue Bonds, Series A of 1999	4,510,000
Resource Recovery Revenue Bonds, Series A of 1998	21,140,000
Resource Recovery Revenue Bonds, Series B of 1998	8,585,000
Resource Recovery Revenue Bonds, Series C of 1998	3,815,000
Resource Recovery Revenue Bonds, Series D of 1998	3,585,000
Seventh Street Office & Parking Revenue Bonds, Series A of 1998	16,180,000
Seventh Street Office & Parking Revenue Bonds, Series B of 1998	6,185,000
Resource Recovery Notes, Series A of 2000	4,195,000
Resource Recovery Notes, Series B of 2000	3,620,000
Harrisburg Parking Authority	
Harrisburg Parking Authority, Series D Bonds	6,550,000
Harrisburg Parking Authority, Series F Bonds	7,050,000
Harrisburg Parking Authority, Series H Bonds	17,350,000
Harrisburg Parking Authority, Series I of 1998	25,775,000
	<u>\$ 193,575,000</u>

13. NOTES PAYABLE

The City of Harrisburg entered into various promissory notes under Section 108 of the Housing and Community Development Act of 1974 (Public Law 93-383), as amended. The proceeds from the notes are provided to the Redevelopment Authority of the City of Harrisburg to administer acquisition, relocation and clearance of City properties on behalf of the City.

As collateral, the City of Harrisburg pledged all grants approved or for which the City may become eligible under Title I of the Housing and Community Development Act of 1974, as amended, and program income derived from disposition by sale or lease of any real property to the extent acquired or rehabilitated with the guaranteed loan funds, including any interest earned on such disposition proceeds.

Interest payments are required to be made to the Federal Financing Bank on the daily unpaid principal balances.

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CITY OF HARRISBURG, PENNSYLVANIA
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The composition of promissory notes outstanding under Section 108 (included in governmental activities) at December 31, 2003 is as follows:

7.20% - 7.38%, Section 108 Note, dated December 22, 1992, interest payable semiannually and principal payable in annual installments of \$105,000 to \$115,000, through August 1, 2005, to be serviced through general revenues of the City.	\$ 220,000
7.02%, Section 108 Note, dated May 13, 2000, interest payable semiannually and principal payable in annual installments of \$150,000 to \$335,000, through August 1, 2019, to be serviced through general revenues of the City.	<u>3,680,000</u>
	<u>3,900,000</u>

The composition of notes payable included in the primary government at December 31, 2003 is as follows:

4.55% - 5.52%, General Obligation Refunding Notes, Series F of 1997, dated December 30, 1997, principal payable in semi-annual installments of \$5,000 to \$2,860,356 beginning September 15, 1999 through September 15, 2022, to be serviced through general revenues of the City.	35,954,206
5.15%, Guaranteed Lease Revenue Notes of 1997, principal payable through September 1, 2004, to be serviced through rental payments of the City.	105,000
1.60% - 2.15% Pennsylvania Infrastructure bank loan, principal payable through September 1, 2013, to be serviced through general revenues of the City.	<u>627,800</u>
	<u>36,687,006</u>
Total primary government notes payable	<u>\$ 40,587,006</u>

The composition of notes payable included in the component units at December 31, 2003 is as follows:

1.536% - 6.20%, The Harrisburg Authority, 1998 Guaranteed Sewer Revenue Notes, Series A, B, and C, payable through 2018, to finance projects related to the sewer collection system.	\$ 2,704,860
2.95%, The Harrisburg Authority, 2002 Guaranteed Resource Recovery Notes, Series A payable in 2022, to fund acquisition of equipment and engineering Studies and working capital.	17,000,000
3.70%-5.0%, The Harrisburg Authority, 2003 Guaranteed Resource Recovery Notes, Series B and C payable beginning 2025 through 2034, to advance refund a portion of the 1998 Series A Bonds, all of the outstanding 1998 Series B and C Bonds, all of the outstanding 2000 Series A and B Notes.	<u>53,370,000</u>
	73,074,860
Add: Unamortized premium	<u>993,554</u>
Total component units notes payable	<u>\$ 74,068,414</u>

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
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DECEMBER 31, 2003

The annual requirements to amortize all notes payable outstanding as of December 31, 2003 are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Primary Government		
2004	\$ 421,767	\$ 284,073
2005	1,631,952	369,482
2006	1,465,019	415,949
2007	1,411,714	467,329
2008	1,363,690	512,726
2009-2013	12,188,953	6,522,588
2014-2018	11,998,700	10,689,233
2019-2022	10,105,211	15,616,540
	<u>\$ 40,587,006</u>	<u>\$ 34,877,920</u>
The Harrisburg Authority		
	<u>Principal</u>	<u>Interest</u>
Component Units		
2004	\$ 143,305	\$ 3,014,338
2005	150,720	3,511,156
2006	144,289	3,499,937
2007	819,639	3,488,436
2008	866,777	3,436,647
2009-2013	5,119,355	16,640,531
2014-2018	6,670,775	15,036,278
2019-2023	5,790,000	12,915,573
2024-2028	17,725,000	11,076,735
2029-2033	28,985,000	5,979,470
2034	6,660,000	333,000
	<u>73,074,860</u>	<u>78,932,101</u>
Add: unamortized premium	<u>993,554</u>	<u>-</u>
	<u>\$ 74,068,414</u>	<u>\$ 78,932,101</u>

(continued)

14. LEASES

Future Lease Rentals Payable to Component Unit

On October 1, 1984, the City entered into a supplemental lease agreement pursuant to the refunding of The Harrisburg Authority's Guaranteed Sewer Revenue Bonds, Series of 1978. The 1984 Second Supplemental Agreement of Lease provides for rental payments in an amount sufficient to retire bonds issued to finance the cost of major construction improvements to the sewage conveyance and treatment system. Also included are interest and administrative costs of The Harrisburg Authority.

On January 15, 1988, the City entered into a Third Supplemental Agreement of Lease and a Collection System Lease pursuant to the issuance of The Harrisburg Authority's Sewer Revenue Bonds, Series A and B of 1988. The Third Supplemental Agreement of Lease was entered into providing for rental payments in an amount sufficient to retire bonds issued to finance the Series A Project relating to the sewage conveyance and treatment system. The Collection System Lease was entered into providing for rental payments in an amount sufficient to retire bonds issued to finance the Series B Project relating to the sewage collection system.

In accordance with the lease agreements, the City is required to make the following minimum annual lease rental payments:

Lease year ending December 31,	Basic Lease Rental	Authority Administrative Expense	Total
2004	\$ 1,861,450	\$ 100,000	\$ 1,961,450
2005	1,858,356	100,000	1,958,356
2006	1,855,222	100,000	1,955,222
2007	1,854,341	100,000	1,954,341
2008	1,857,422	60,000	1,917,422
2009	1,858,081	60,000	1,918,081
2010	1,861,382	60,000	1,921,382
2011	1,855,497	60,000	1,915,497
Total minimum lease payments	14,861,751	\$ 640,000	\$ 15,501,751
Less amount representing interest	(3,991,237)		
Present value of net minimum lease payments	10,870,514		
Current portion	1,861,450		
Long-term portion	\$ 9,009,064		

The net book value of equipment held under capital leases included in capital assets was \$14,943,128 at December 31, 2003. In addition, the Sewer Fund has capital lease proceeds receivable totaling \$2,480,589 at December 31, 2003, which represent funds available for future capital improvements to the sewage conveyance, treatment and collection systems under the lease agreements. Capital improvements to these systems under the lease agreements were \$1,147,735 during 2003.

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The City is required under the terms of the Second Supplemental Agreement of Lease, the Third Supplemental Agreement of Lease and Collection System Lease to make additional rental payments within 190 days after the end of each year, equal to excess funds in the Sewer Fund as defined in the respective lease agreements. There were no excess funds at December 31, 2003 and, accordingly, no additional payment was due.

Capitalized Lease Obligations

The City leases certain equipment and infrastructure under long-term lease agreements which are classified as capital leases. As of December 31, 2003, the governmental activities and the business-type activities include equipment and furniture under capital leases of \$4,492,295 and \$336,576, respectively. The future minimum payments under capital leases and the present value of the new minimum lease payments at December 31, 2003 are as follows:

Year ending December 31,	Governmental Activities	Business-type Activities	Total
2004	\$ 1,567,909	\$ 92,748	\$ 1,660,657
2005	1,567,908	92,749	1,660,657
2006	1,567,909	92,748	1,660,657
2007	919,545	42,077	961,622
2008	894,073	42,077	936,150
2009-2013	<u>1,867,722</u>	<u>84,155</u>	<u>1,951,877</u>
Total minimum lease payments	8,385,066	446,554	8,831,620
Less amount representing interest	<u>(1,321,377)</u>	<u>(54,738)</u>	<u>(1,376,115)</u>
Present value of future minimum lease payments	<u>\$ 7,063,689</u>	<u>\$ 391,816</u>	<u>\$ 7,455,505</u>

15. INTEREST RATE SWAPS

Primary Government

Objective of the interest rate swap. The City's asset/liability strategy is to have a combination of fixed-rate and variable-rate debt. In late 1999, the City began to explore and consider a debt management plan which would permit it to convert fixed interest rates which it was paying on certain of its outstanding debt obligations to a synthetic variable rate by entering into certain fixed-to-floating interest rate swaps. In connection therewith, the City identified two separate sets of cash flows representing portions of the debt service on fixed rate bonds issued or guaranteed by the City. The first set of cash flows constituted a portion of (a) the lease payments payable by the City, with respect to Guaranteed Lease Revenue Bonds, Series of 1991, issued by City of Harrisburg Leasing Authority in the original principal amount of \$3,280,000, and (b) debt service payments payable by the City on its Federally Taxable General Obligation Bonds, Series A of 1995, issued with a stated value at issuance

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of \$33,394,415.65, Federally Taxable General Obligation Bonds, Series B of 1995, issued in the original principal amount of \$2,340,000 and its General Obligation Refunding Bonds, Series D of 1997, issued in the initial principal amount of \$24,891,772.10 (collectively, Swap Agreement-I Cash Flows). The second set of cash flows constituted a portion of the debt service payable by the City on its General Obligation Bonds, Series A of 1995, issued in the original principal amount of \$12,455,000, its Federally Taxable General Obligation Bonds, Series A1 of 1997, issued in the original principal amount of \$8,000,000, its Federally Taxable General Obligation Refunding Bonds, Series E of 1997, issued in the original principal amount of \$12,840,000, and its General Obligation Refunding Notes, Series of 1997, issued in the initial principal amount of \$26,632,302.75 (collectively, Swap Agreement-II Cash Flows).

Terms. On February 16, 2000, the City entered into two interest rate swap agreements with JPMorgan Chase Bank (JPMorgan), successor by merger to The Chase Manhattan Bank. Under one interest rate swap agreement (Swap Agreement-I), the City agreed to pay a floating rate on a notional amount equal to the Swap Agreement-I Cash Flows scheduled to be outstanding from time to time, which floating rate was equal to the difference between two floating rates (Floating Rate Option A and Floating Rate Option B), and calculated as follows. Floating Rate Option A was defined as the product of (a) the Bond Market Association Municipal Swap Index (BMA Index) (formerly the PSA Municipal Swap Index) plus 37 basis points and (b) a multiplier equal to 1.42. Floating Rate Option B was defined as the one-month London Interbank Offered Rate (LIBOR) minus a cap rate of 12.00%, and in the event that such amount was less than or equal to zero, the value of Floating Rate Option B would be zero. JPMorgan agreed to pay the City amounts calculated by applying a fixed rate of 6.79% on the notional amount. In connection with the execution and delivery of Swap Agreement-I, JPMorgan paid the City an upfront fee of \$410,000. The term of Swap Agreement-I extends to April 1, 2010.

In addition, under the second interest rate swap agreement (Swap Agreement-II), the City agreed to pay a floating rate on a notional amount equal to the Swap Agreement-II Cash Flows scheduled to be outstanding from time to time. The floating rate was equal to the difference between (a) the BMA Index plus 37 basis points and (b) one-month LIBOR minus a cap rate of 12.00%; if this latter rate was less than or equal to zero, the value of such rate would be zero. JPMorgan agreed to pay to the City amounts calculated by applying a fixed rate of 4.96% on such notional amount. In connection with the execution and delivery of Swap Agreement-II, JPMorgan paid to the City an upfront amount of \$690,000. The term of Swap Agreement-II extends to September 15, 2019.

By separate confirmations dated February 12, 2001, JPMorgan and the City amended Swap Agreement-I and Swap Agreement-II. Under the amendment to Swap Agreement-I, JPMorgan paid the City \$424,016.01 on February 12, 2001, as consideration for the right to suspend payments by the parties thereunder, effective February 15, 2001. In addition, JPMorgan had the option from February 15, 2001 through April 1, 2004 to restart accruals and payments under Swap Agreement-I. If JPMorgan failed to exercise this option by April 1, 2004, Swap Agreement-I would automatically terminate on that date.

In consideration for a February 12, 2001 payment of \$578,281.99 to the City, JPMorgan similarly suspended accruals and payments under Swap Agreement-II, effective February 15, 2001, while obtaining the option from February 15, 2001 through March 15, 2004 to restart accruals and payments thereunder. Upon failure by JPMorgan to exercise its option by March 15, 2004, Swap Agreement-II would automatically terminate on that date.

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On January 28, 2004, JPMorgan paid the City \$183,177.98 to extend from April 1, 2004 to April 1, 2007 the period during which JPMorgan would have the option to restart accruals and payments under Swap Agreement-I. For a payment to the City in the amount of \$249,822.02, also made on January 28, 2004, JPMorgan extended its option to restart accruals and payments under Swap Agreement-II, from March 15, 2004 to March 15, 2007.

Fair value. As of December 31, 2003, Swap Agreement-I had a negative fair value of \$89, and Swap Agreement-II had a negative fair value of \$24,273, in each instance calculated as a mark-to-market value based on mid-market levels.

Credit risk. The respective fair values of Swap Agreement-I and Swap Agreement-II represented the City's credit exposure to JPMorgan as of December 31, 2003. Should JPMorgan fail to perform according to the terms of Swap Agreement-I or Swap Agreement-II, the City faced no loss potential since the respective fair value of each swap is negative. As of December 31, 2003, JPMorgan was rated Aa3 by Moody's Investors Service and AA- by Standard & Poor's.

Interest rate risk. Each of the Swap Agreement-I and Swap Agreement-II increases the City's exposure to variable interest rates, should JPMorgan exercise its option to resume payments under the respective swaps. As the BMA Index increases, the amount of the City's floating rate payments to JPMorgan on the respective swaps increases.

Termination risk. The City or JPMorgan may terminate Swap Agreement-I or Swap Agreement-II if the other party fails to perform under the terms of the respective agreement. If at the time of termination the applicable swap has a negative fair value, the City would be liable to JPMorgan for that payment. In addition, if JPMorgan fails to exercise its option to restart accruals and payments under either Swap Agreement-I or Swap Agreement-II, the applicable swap would terminate, and neither party would owe the other party a termination payment based on the fair value of the applicable swap at the time of such optional termination.

Component Units

The Harrisburg Authority

Variable Rate Issues and Interest Rate Swaps

In connection with its incurrence of long-term indebtedness, the Authority from time to time has issued several series of variable rate bonds and entered into related interest rate swap and cap agreements with respect to certain of these variable rate issues. A description of the variable rate issues and, where applicable, the related interest rate swap or swaps and cap follows.

2003 Water Revenue Bonds, Series A

Objective of the interest rate swaps. In October 1999, the Authority entered into a contract with Societe Generale, New York Branch (Societe Generale) obligating the Authority to issue on June 11, 2003, its \$49,725,000, fixed rate, Water Revenue Refunding Bonds, Series A of 2003 in the principal amount of \$49,725,000 (2003 Series A Fixed Rate Bonds). Proceeds of the 2003 Series A Fixed Rate Bonds were to be applied to redeem in July 2003 the Authority's 1993 Water Revenue Bonds, Series B,

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then outstanding. To reduce the amount of debt service to be paid on the 2003 Series A Fixed Rate Bonds, the Authority by agreement reached with Societe Generale on April 12, 2002 terminated its obligation to issue the 2003 Series A Fixed Rate Bonds and agreed to pay Societe Generale a termination payment of \$6,175,000. To fund the termination payment and the current refunding of the 1993 Water Revenue Bonds, Series B, the Authority on April 12, 2002 entered into a forward bond purchase agreement to issue its Variable Rate Water Revenue Refunding Bonds, Series A of 2003 (2003 Water Revenue Bonds, Series A) on or about July 10, 2003.

On April 12, 2002, the Authority, in order to lock in fixed borrowing costs for its 2003 Water Revenue Bonds, Series A, also entered into a forward interest swap agreement with Societe Generale; on that date, Societe Generale paid the Authority an upfront payment of \$1,415,000. Under the swap agreement, Societe Generale agreed to pay to the Authority (i) amounts calculated at a floating rate per annum based on 67 percent of one-month LIBOR, on a notional amount equal to a specified portion of the scheduled principal amount of the 2003 Water Revenue Bonds, Series A, and (ii) amounts calculated at a floating rate per annum determined under the Bond Market Association Municipal Swap Index (BMA Index) on a notional amount equal to another specified portion of the scheduled principal amount of the 2003 Water Revenue Bonds, Series A. The Authority is obligated to pay Societe Generale amounts calculated at respective agreed upon fixed rates based upon the separate notional amounts described above, and which fixed rates were determined in April 2002 and were calculated to take into account the upfront payment of \$1,415,000 paid by Societe Generale to the Authority. The forward interest rate swap agreement was scheduled to become effective on or about July 10, 2003, the anticipated issue date of the 2003 Water Revenue Bonds, Series A. The purpose of entering into the forward interest rate swap was to hedge against the risk of interest rate changes with respect to the 2003 Water Revenue Bonds, Series A, and to fix its effective borrowing costs with respect to the 2003 Water Revenue Bonds, Series A hedged by the forward interest rate swap agreement. The forward interest rate swap agreement became effective on July 11, 2003, the date on which the Authority issued the 2003 Water Revenue Bonds, Series A, in the principal amount of \$56,535,000.

Terms. As described above, the interest rate swap agreement which the Authority entered into with respect to its 2003 Water Revenue Bonds, Series A consists of two separate components, a LIBOR-based swap with \$25,275,000 of outstanding principal amount of 2003 Water Revenue Bonds, Series A as the notional amount (LIBOR Swap) and a BMA-based swap with \$25,605,000 of outstanding principal amount of 2003 Water Revenue Bonds, Series A as the notional amount (BMA Swap). Under the LIBOR Swap, the Authority pays Societe Generale interest on the corresponding notional amount at a fixed rate of 4.710% per annum, and receives from Societe Generale interest on such notional amount at a floating rate equal to 67% of one-month LIBOR. Under the BMA Swap, the Authority pays Societe Generale interest on the corresponding notional amount at a fixed rate of 5.105% per annum, and receives in return interest at a floating rate equal to the BMA Index. Under the LIBOR Swap and the BMA Swap, the Authority has effectively hedged \$50,880,000 principal amount of its 2003 Water Revenue Bonds, Series A, while \$5,655,000 principal amount of such Bonds remains unhedged. The fixed rates payable by the Authority under the LIBOR Swap and the BMA Swap were determined in April 2002 when the Authority entered into the forward interest rate swap agreement with Societe Generale and take into account Societe Generale's upfront payment of \$1,415,000 paid to the Authority in April 2002. The notional amount of each of the LIBOR Swap and the BMA Swap decreases as the outstanding principal amount of the corresponding 2003 Water Revenue Bonds, Series A decreases through mandatory sinking fund redemption.

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Fair value. The fixed rates payable by the Authority under the LIBOR Swap and the BMA Swap have been calculated to reflect the Authority's receipt in April 2002 of the \$1,415,000 upfront payment made by Societe Generale. As of December 31, 2003, it would cost the Authority \$9,874,095 to terminate the interest rate swap agreement with Societe Generale. Such amount represents the present value difference between the fixed rates which the Authority pays under the LIBOR Swap and the BMA Swap and fixed swap rates as of December 31, 2003.

Credit risk. As of December 31, 2003, the Authority was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Authority would be exposed to credit risk in the amount of the swap agreement's fair value. Societe Generale was rated AA by Fitch Ratings and Standard & Poor's and Aa by Moody's Investors Service as of December 31, 2003. To mitigate the potential for credit risk, if Societe Generale's credit rating falls below A1/A+, the parties agree to negotiate in good faith a credit support annex to the swap agreement, which would require Societe Generale to collateralize its obligations with a combination of cash, Treasury Securities and Agency Notes.

Basis risk. The LIBOR Swap exposes the Authority to basis risk because the Authority is receiving payments based on 67% of one-month LIBOR, a taxable rate which may be different from the Authority's weekly tax-exempt rate payable on its 2003 Water Revenue Bonds, Series A. Current market conditions have exacerbated the difference between these two rates, so that the Authority's LIBOR-based receipt has, on average, over the last year, been approximately 30 basis points lower than the interest rate on its 2003 Water Revenue Bonds, Series A. The effect of the difference or mismatch between the two rates has been to increase the Authority's intended synthetic rate (4.71 percent) under the LIBOR Swap. As of December 31, 2003, the interest rate on the 2003 Water Revenue Bonds, Series A was 1.35 percent, whereas 67 percent of one-month LIBOR was 0.75 percent.

Termination risk. The Authority or Societe Generale may terminate the swap agreement if the other party defaults under the swap agreement. The swap may be terminated by the Authority if Societe Generale's credit quality rating falls below "BBB" as reported by Standard & Poor's or "Baa2" as reported by Moody's Investors Service. If the swap is terminated, the 2003 Water Revenue Bonds, Series A would no longer be hedged, and the Authority would be obligated to pay the variable rate on such Bonds and be subject to the increased risk of interest rate changes. Also, if at the time of termination the swap has negative fair value, the Authority would be liable to Societe Generale for a payment equal to the swap's fair value.

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Swap payments and associated debt. Using rates as of December 31, 2003, debt service requirements of the 2003 Water Revenue Bonds, Series A, and net swap payments, assuming current interest rates and floating rates under the swap agreement remain the same for their term, were as follows. As these rates vary, interest payments on the 2003 Water Revenue Bonds, Series A and net payments under the swap agreement will vary.

Fiscal Year Ending December 31	2003 Water Revenue Bonds, Series A		Swap Agreement Payments, Net	Total
	Principal	Interest		
2004	\$ -	\$ 695,381	\$ 1,992,983	\$ 2,688,364
2005	135,000	695,381	1,992,983	2,823,364
2006	140,000	693,720	1,987,751	2,821,471
2007	150,000	691,998	1,982,326	2,824,324
2008	160,000	690,153	1,976,514	2,826,667
2009-2014	1,140,000	4,096,208	11,718,227	16,954,435
2015-2019	1,275,000	3,341,049	9,536,920	14,152,969
2020-2024	1,965,000	3,253,842	9,262,182	14,481,024
2025-2029	51,570,000	2,058,836	5,477,968	59,106,804
Total	<u>\$ 56,535,000</u>	<u>\$ 16,216,568</u>	<u>\$ 45,927,854</u>	<u>\$ 118,679,422</u>

2003 Guaranteed Resource Recovery Revenue Bonds, Series D1 and D2

Objective of the interest rate swap. The Authority's asset/liability strategy is to have a combination of fixed and variable-rate debt. On December 30, 2003, the Authority issued its \$96,480,000 Guaranteed Resource Recovery Facility Revenue Bonds, Series D of 2003 (2003 Resource Recovery Bonds, Series D) consisting of \$31,480,000 Subseries D-1 (2003 D-1 Bonds) and \$65,000,000 Subseries D-2 (2003 D-2 Bonds). The 2003 D-1 Bonds initially bear interest at a fixed rate of 4.00% to December 1, 2008, and the 2003 D-2 Bonds at a 5.00% fixed rate to December 1, 2013. After the expiration of these respective initial rate periods, the 2003 D-1 and D-2 Bonds are subject to conversion to different interest rates for different interest rate periods. To convert the interest rate on the 2003 D-1 and 2003 D-2 Bonds to a synthetic variable rate, the Authority entered into fixed-to-floating interest rate swaps, thereby achieving a variable rate while eliminating the need for a liquidity facility and annual remarketing services, and avoiding basis risk associated with the weekly remarketing of its variable rate debt, had it issued the 2003 D-1 Bonds and 2003 D-2 Bonds as weekly floating rate bonds.

Terms. With respect to its 2003 Resource Recovery Bonds, Series D, the Authority entered into an interest rate swap agreement with Royal Bank of Canada (RBC), which swap agreement consists of two components: (i) a swap with the outstanding principal amount of the 2003 D-1 Bonds to December 1, 2008 as the notional amount (D-1 Swap) and (ii) a swap with the outstanding principal amount of the 2003 D-2 Bonds to December 1, 2013 as the notional amount (D-2 Swap). Under the D-1 Swap, scheduled to terminate on December 1, 2008, the Authority pays RBC floating amounts calculated by applying a floating rate per annum determined by reference to the BMA Index, and the Authority receives fixed amounts calculated by applying a fixed rate of 2.66% per annum on the

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notional amount under the D-1 Swap. Under the D-2 Swap, scheduled to terminate on December 1, 2013, the Authority pays interest on the notional amount under the D-2 Swap at a floating rate determined by reference to the BMA Index, and receives interest on such notional amount at a rate of 3.37% per annum.

The D-1 Swap contains an embedded interest rate cap, providing that the floating rate to be paid by the Authority shall not exceed 12% to June 1, 2006, and shall not exceed 6% from June 1, 2006 to the D-1 Swap termination date of December 1, 2008. The D-2 Swap contains a similar embedded cap, capping at 12% the floating rate to be paid by the Authority to June 1, 2006, and providing a 6% cap from June 1, 2006 to December 1, 2013, the termination date of the D-2 Swap. The Authority also entered into an interest rate cap agreement (D-1/D-2 Cap) with RBC, which becomes effective on December 1, 2008. The D-1/D-2 Cap provides that RBC will pay the excess, if any, between the BMA Index and 6% on a notional amount equal to the scheduled principal amount of the D-1 Bonds and the D-2 Bonds outstanding after December 1, 2008 and December 1, 2013, respectively.

Fair value. As of December 31, 2003, the D-1 and D-2 Swaps had a combined fair value of \$692,243, calculated using the mid-market, par-value method: the fixed rates payable under the D-1 and D-2 Swaps were compared with the current fixed rates that could be achieved in the marketplace should the D-1 and D-2 Swaps be terminated. The fixed-rate bond component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable bond. The variable-rate component was assumed to be at par value, because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the established market value of the fixed component from the established market value of the variable component (the par value of the bond).

Credit risk. The D-1 and D-2 Swaps' fair value represented the Authority's credit exposure to RBC as of December 31, 2003. Should RBC default under the D-1 and D-2 Swaps, the Authority faced a maximum possible loss equivalent to the D-1 and D-2 Swaps' \$692,243 combined fair value. As of December 31, 2003, RBC was rated Aa3 by Moody's Investors Service and AA- by Standard & Poor's. To mitigate credit risk, if RBC's rating falls below A3 by Moody's Investors Service or A- by Standard & Poor's, the D-1 and D-2 Swaps will terminate.

Interest rate risk. The swap increases the Authority's exposure to variable interest rates. As BMA increases, the Authority's net payment on the swap increases.

Termination risk. The Authority or RBC may terminate the D-1 and D-2 Swaps if the other party defaults under the D-1 and D-2 Swaps. In addition, the Authority may terminate the D-1 and D-2 Swaps agreement without cause at any time on 20 days notice, at fair market value. If at the time of termination the D-1 and D-2 Swaps have a negative fair value, the Authority would be liable to RBC for that payment.

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Year Ending December 31	D-1 Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2004	\$ -	\$ 1,259,200	\$ (450,164)*	\$ 809,036
2005	-	1,259,200	(450,164)	809,036
2006	-	1,259,200	(450,164)	809,036
2007	-	1,259,200	(450,164)	809,036
2008	31,480,000	1,259,200	(450,164)	32,289,036
Total	<u>\$ 31,480,000</u>	<u>\$ 6,296,000</u>	<u>\$ (2,250,820)</u>	<u>\$ 35,525,180</u>

*Computed: (1.23% - 2.66%) x \$31,480,000

Year Ending December 31	D-2 Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2004	\$ -	\$ 3,250,000	\$ (1,391,000)*	\$ 1,859,000
2005	-	3,250,000	(1,391,000)	1,859,000
2006	-	3,250,000	(1,391,000)	1,859,000
2007	-	3,250,000	(1,391,000)	1,859,000
2008	-	3,250,000	(1,391,000)	1,859,000
2009 - 2013	65,000,000	16,250,000	(6,955,000)	74,295,000
Total	<u>\$ 65,000,000</u>	<u>\$ 32,500,000</u>	<u>\$ (13,910,000)</u>	<u>\$ 83,590,000</u>

*Computed: (1.23% - 3.37%) x \$65,000,000

2003 Guaranteed Resource Recovery Revenue Notes, Series B

These Notes bear interest at a fixed rate of 3.70 percent through June 15, 2010. Thereafter, they will bear interest at a tax-exempt weekly rate equal to the BMA index plus 75 basis points.

2002 Water Revenue Bonds, Series B

These Bonds bear interest at a tax-exempt weekly rate, 1.35 percent at December 31, 2003.

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2002 Water Revenue Bonds, Series C

These Bonds bear interest at a taxable weekly rate, 1.22 percent at December 31, 2003.

2002 Guaranteed Resource Recovery Revenue Notes, Series A

These Notes bear interest at a fixed rate of 2.95 percent through October 31, 2004. Thereafter, they will bear interest at a taxable rate for an annual period or multi-annual periods, as selected from time to time by the Authority.

Harrisburg Parking Authority

Objective of the interest rate swap. The Harrisburg Parking Authority's asset/liability strategy is to have a mixture of fixed-rate and variable-rate debt to take advantage of market fluctuations. Because the Harrisburg Parking Authority anticipates that interest rates might decline, it decided to synthetically create variable-rate debt by entering into a derivative.

Terms. In October 2000, the Harrisburg Parking Authority entered into pay-variable, receive-fixed interest rate swap for the remaining term of its \$29.4 million Series I of 1998, 6.15 percent revenue bonds. The notional value of the swap is \$29.4 million. Under the terms of the swap, entered into in 2000 and scheduled to end in 2019, the Harrisburg Parking Authority paid a rate equivalent to The Bond Market Association Municipal Swap Index (BMA), which was 1.23 percent at December 31, 2003, plus 1.34% and receives fixed-rate payments at 6.15 percent. In September 2001, the Authority refunded the Series I of 1998 Bonds through the issuance of the Series J of 2000 Bonds and entered into an amendment to the swap contract that provided the Harrisburg Parking Authority an up-front payment of \$1.08 million, which suspended all payments under the swap until March 2007, and gave the counterparty the option to make the Harrisburg Parking Authority resume the pay-variable, receive-fixed interest rate swap. If the option is exercised, the Harrisburg Parking Authority would then expect to resume variable-rate payments under the original swap, as amended through 2019, for its \$29.4 million Series J of 2000 Bonds. The notional value of the swap remained \$29.4 million. Under the terms of the swap, as amended in 2001 and scheduled to end in 2019, the authority pays a variable rate equivalent to BMA, which was 1.23 percent at December 31, 2003, plus 31.5 basis points, and receives fixed-rate payments at approximately 4.84 percent. The variable rate on the swap has an interest rate cap of 15 percent and creates a synthetic variable coupon of BMA plus 1.34 percent, or 2.3 percent as of December 31, 2003. Starting in 2003, the notional value of the swap and the principal amount of the associated debt decline.

Fair value. As of December 31, 2003, the swap had a negative fair value of \$1,649,964, calculated using the par-value method: the fixed rate on the swap was compared with the current fixed rates that could be achieved in the marketplace should the swap be unwound. The fixed-rate bond component was valued by discounting the fixed-rate cash flows using the current yield to maturity of a comparable bond. The variable-rate component was assumed to be at par value because the interest rate resets to the market rate at every reset date. The fair value was then calculated by subtracting the established market value of the fixed component from the established market value of the variable component (the par value of the bond).

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Credit risk. The swap's fair value represented the Harrisburg Parking Authority's credit exposure to the counterparty as of December 31, 2003. Should the counterparty to this transaction fail to perform according to the terms of the swap contract, the Harrisburg Parking Authority faced no loss potential since the value is negative. As of December 31, 2003, the counterparty was rated Aa by Moody's Investors Service and AA by Standard & Poor's and Fitch Ratings. To mitigate credit risk, if the counterparty's credit falls below Aa/AA, the fair value of the swap will be fully collateralized by the counterparty with U.S. government securities. Collateral would be posted with a third-party custodian.

Interest rate risk. The swap increases the authority's exposure to variable interest rates. As BMA increases, the Harrisburg Parking Authority's net payment on the swap increases.

Termination risk. The Harrisburg Parking Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. In addition, the counterparty may terminate the agreement each March 1 and September 1, commencing March 1, 2003. If at the time of termination the swap has a negative fair value, the authority would be not liable to the counterparty for that payment.

Swap payments and associated debt. Using interest rates as of December 31, 2003, principal and interest requirements of the fixed-rate debt and net swap payments were as follows. As rates vary, net swap payments will vary.

Year Ended December 31	Principal	Interest	Interest Rate Swaps, Net	Total
2004	\$ 110,000	\$ 1,421,664	\$ *(360,000)	\$ 1,171,664
2005	240,000	1,418,309	-	1,658,309
2006	250,000	1,410,389	-	1,660,389
2007	230,000	1,401,764	** (478,441)	1,153,323
2008	275,000	1,393,369	(952,040)	716,329
2009-2013	3,115,000	6,704,430	(4,599,524)	5,219,906
2014-2018	9,155,000	5,758,360	(3,981,113)	10,932,247
2019-2022	16,020,000	2,113,314	(558,144)	17,575,170
Total	<u>\$ 29,395,000</u>	<u>\$ 21,621,599</u>	<u>\$ (10,929,262)</u>	<u>\$ 40,087,337</u>

* Last of final fee payments fixed annuity, assumes no payments through April 2007

**Computed: 1.545% x principal-scheduled amounts

16. PENSION PLAN

Plan Description

The City has four defined benefit pension plans. Two of the plans, Non-uniformed Employees' Plans A and B, are controlled by provisions of Ordinance-Bill No. 49-1984, adopted pursuant to Act 15. On January 2, 2002, the assets of Plans A and B were combined, but the requirements for eligibility and benefits remain separate. The Combined Firefighters' Plan is controlled by provisions of Ordinance-Bill No. 44-2002. For these plans, the City contributes to the Pennsylvania Municipal Retirement

(continued)

System (PMRS), an agent multiple-employer Public Employees Retirement System (PERS). The remaining plan, the Combined Police Pension Plan, was established January 1, 1999 under Ordinance-Bill No. 44-1998. This ordinance withdrew the Police Officers' Plan A and Police Officers' Plan B from PMRS, and established an amended and restated pension plan for police officers of the City. The combined Police Pension Plan is a single-employer pension plan and is controlled by a separate independent board of trustees.

The plans have been established to cover substantially all full-time employees. Employees become eligible for participation in a plan immediately upon employment and become fully vested after 20 years of service for City A plans, 10 years for City B and Combined Firefighters' Plans and 20 years for the Combined Police Pension Plan. The plans have been established by City ordinance in accordance with the authority for municipal contributions required by Act 205-1984 (Act 205) of the Pennsylvania legislature, as amended by Act 189-1990. The plans require covered employees to contribute a percentage of total compensation.

PMRS issues publicly available financial reports that include financial statements and required supplementary information. The PMRS report may be obtained by writing to Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

In addition, the City of Harrisburg Police Pension Board issues a separate publicly available financial report that includes financial statements and required supplementary information for the Combined Police Pension Fund. That report may be obtained by writing to the City of Harrisburg Police Pension Board, The Reverend Dr. Martin Luther King, Jr. City Government Center, 10 North Second Street, Harrisburg PA 17101 or by calling 717-255-6507.

The benefits provided by the plans differ by employment group and are based upon average compensation and length of service. Normal benefits are calculated at 2.5% per year of credited service multiplied by the final average annual salary for the Non-uniformed Employees' A and Combined Firefighters' plan. In no case may the benefit exceed 50% of the final average annual salary. The benefits provided by the Non-uniformed Employees' B plan are calculated at 2.0% per year of credited service multiplied by the final average annual salary. In no case may the benefit exceed 75% of the final average annual salary. The benefits provided by the Combined Police plan are calculated at 50% of the average monthly salary plus 2.5% of the average monthly compensation for each complete year of service over 20 years. In no case may the benefit exceed 62.5% of the average monthly compensation.

The plans provide retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plans.

In addition, Non-uniformed Employees' Plan A is closed to new entrants.

Funding Policy

Act 205 requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's annual actuarial valuation.

Contributions by the City are determined under the entry age normal method. Unfunded past service liability is amortized over the average future service of active participants.

(continued)

Employee contributions to the plan are based on a percentage of compensation. Non-uniformed employees are required to contribute 4.0-6.0% and 5.0% of annual compensation for plans A and B, respectively. Fire employees contribute 5% of annual compensation, while police employees contribute 5% of annual compensation plus \$1 per month. An interest rate of 6.5% is applied to the non-uniformed and fire employees accounts. Employees' accumulated contributions plus interest (if applicable) will be returned upon termination or death if no other benefits are payable under the plan. The plans are also eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

The Commonwealth of Pennsylvania allocates foreign fire and casualty insurance premium collections to aid individual municipalities. The monies received must be contributed to the pension plans or used to pay debt service on unfunded pension liability bonds. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension benefit obligation. Since 1996, the State's allocation exceeded the City's statutory funding requirement. Therefore, the City reflects no employer contributions to its pension plans during 2003. State aid received in excess of the City's statutory funding requirement was not deposited to the pension plans but was utilized to fund debt service on the City's unfunded pension liability general obligation bonds issued in 1995 in accordance with Act 205 as amended.

The City had been participating in Level III of the State Act 205 Pension Plan Recovery Program, utilizing the 15-year delayed implementation of funding standard provision and amortizing the unfunded actuarial accrual liabilities under its pension plans established at January 1, 1985, over 40 years on the basis of level percentage of future payroll amortization. Prior to 1996, the allocation of general municipal pension system state aid the City received under Act 205 was based upon the City's costs of its pension plans since this amount was less than the amount determined under the unit value calculation.

In an effort to increase the amount of general municipal pension system state aid received by the City for its pension plans, the City passed a resolution in December 1995, to rescind its prior election to amortize the unfunded actuarial accrued liabilities of its plans established at January 1, 1985, over 40 years using level percentage of payroll amortization, and began amortizing these amounts over 30 years using level dollar amortization. The January 1, 1996 actuarial valuation of the pension plan was prepared on the basis of 30-year level dollar amortization. The 1996 State aid received by the City was based upon the January 1, 1995 actuarial valuation reports which reflected 40-year level percentage of payroll amortization. The 1997 State aid received by the City was based upon the January 1, 1996 actuarial valuation reports using 30-year level dollar amortization.

Also, the City contributed \$60,626 in 1995 in addition to its statutory funding requirement, or MMO payments, in order to satisfy the full MMO for each plan in 1995 without regard to the 15-year phase-in provision. This allowed the City to determine the MMO's for its plans for 1996 without utilizing the delayed implementation of funding standard provision which required that the City make a contribution in 1996 to each plan which was at least equal to the contribution made by the City to each plan during 1995. This reduced the total MMO for each of the City's "A" plans beginning in 1996.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Plans at January 1, 2003 are as follows:

	Non-Uniformed Employees'		Firefighters'	Police Officers'
	Plan A	Plan B	Combined	Combined
Annual required contribution	\$ -	\$ -	\$ 107,728	\$ -
Contributions made	-	-	(107,728)	-
Change in net pension obligation	-	-	-	-
Net pension obligation – beginning of year	-	-	-	-
Net pension obligation – December 31, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Three Year Trend Information

Non-Uniformed Employees' – Plan A	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2001	\$ -	- %	\$ -
December 31, 2002	-	-	-
December 31, 2003	-	-	-

Non-Uniformed Employees' – Plan B	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2001	\$ -	- %	\$ -
December 31, 2002	-	-	-
December 31, 2003	-	-	-

Firefighters' Combined	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2001	\$ 188,199	100%	\$ -
December 31, 2002	145,716	100	-
December 31, 2003	107,728	100	-

Police Officers' – Combined	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 2001	\$ 310,040	100%	\$ -
December 31, 2002	-	-	-
December 31, 2003	-	-	-

(continued)

CITY OF HARRISBURG
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

The annual required contribution for the current year was determined as part of the January 1, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions for the Non-Uniformed Employees' Plan and Combined Firefighters' Plan include (a) a 6.50% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.20% per year. The actuarial assumptions for the combined Police Pension Fund include (a) an 8% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per year. The assumptions do not include postretirement benefit increases, which are funded by State appropriation when granted. The actuarial value is determined using market values determined by the trustee.

17. SEGMENT INFORMATION

The Harrisburg Authority supports three separate segments. The Water Segment accounts for the provision of basic water service to customers of the Harrisburg Water System. The Sewer Segment accounts for the leasing of the wastewater conveyance and treatment system to the City under a direct financing lease. The Resource Recovery Segment accounts for the activities at the Harrisburg Resource Recovery and Steam Generating Facility (Resource Recovery Facility), which converts waste into energy. Selected segment information as of and for the year ended December 31, 2003, is as follows:

	Water Fund	Sewer Fund	Resource Recovery Fund
CONDENSED STATEMENT OF NET ASSETS			
Assets			
Current assets			
Other current assets	\$ 4,977,544	\$ 1,748,019	\$ 1,971,830
Due to other funds	2,932	-	(313,756)
Due to the City of Harrisburg	265,393	143,302	-
Total current assets	5,245,869	1,891,321	1,658,074
Restricted assets	24,563,105	28,775,714	136,912,712
Capital assets	79,193,755	-	24,872,596
Advances to the City of Harrisburg	-	2,564,265	-
Other noncurrent assets	3,290,612	9,403,321	13,905,386
Total assets	112,293,341	42,634,621	177,348,768
Liabilities			
Current liabilities			
Other current liabilities	2,252,966	-	1,144,256
Due to the City of Harrisburg	109,683	-	314,057
Total current liabilities	2,362,649	-	1,458,313
Liabilities payable from restricted assets	4,655,696	3,830,394	6,806,414
Noncurrent liabilities	123,083,357	25,753,480	221,654,523
Due to the City of Harrisburg	735,971	-	-
Total liabilities	130,837,673	29,583,874	229,919,250
Net assets			
Invested in capital assets, net of related debt	(41,326,553)	-	(99,829,931)
Restricted	20,634,972	28,775,714	52,587,547
Unrestricted	2,147,249	(15,724,967)	(5,328,098)
Total net assets	\$ (18,544,332)	\$ 13,050,747	\$ (52,570,482)

(continued)

CITY OF HARRISBURG
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

**CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS**

	Water Fund	Sewer Fund	Resource Recovery Fund
Operating revenues	\$ 14,609,608	\$ 100,000	\$ 4,100,090
Operating expenses			
Operating	11,474,991	-	7,623,867
Administration	200,000	100,000	200,000
Depreciation	2,152,352	-	582,120
Total operating expenses	13,827,343	100,000	8,405,987
Operating income (loss)	782,265	-	(4,305,897)
Nonoperating revenues (expenses)			
Investment income	887,619	520,466	695,794
Lease rental income	-	991,677	-
Miscellaneous income (expense)	(166,297)	(3,002)	70,732
Interest expense	(6,717,886)	(1,957,461)	(4,499,017)
Amortization of bond issuance costs	(301,735)	(49,789)	(267,497)
Total nonoperating expenses	(6,298,299)	(498,109)	(3,999,988)
Change in net assets	(5,516,034)	(498,109)	(8,305,885)
Net assets - January 1, 2003 - restated	(13,028,298)	13,548,856	(44,264,597)
Net assets - December 31, 2003	\$ (18,544,332)	\$ 13,050,747	\$ (52,570,482)

CONDENSED STATEMENT OF CASH FLOWS

Net cash provided by (used in) operating activities	\$ 2,812,239	\$ (222,963)	\$ (4,347,692)
Net cash provided by (used in) investing activities	(15,061,784)	3,992,804	(5,895,724)
Net cash provided by (used in) capital and related financing activities	574,759	(4,897,533)	124,684,463
Net increase (decrease) in cash and cash equivalents	(11,674,786)	(1,127,692)	114,441,047
Cash and cash equivalents, January 1, 2003	21,605,483	14,656,242	10,877,998
Cash and cash equivalents, December 31, 2003	\$ 9,930,697	\$ 13,528,550	\$ 125,319,045

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18. ACCUMULATED DEFICITS

The Harrisburg Parking Authority, a component unit, has an accumulated deficit of \$1,919,576. The deficit resulted from losses on the extinguishment of debt in the amount of \$2,549,981 and \$992,836 in 1994 and 1993, respectively. This loss is essentially the cost of carrying old bonds during the escrow period, and is offset by cumulative net income of \$1,623,241.

The Harrisburg Authority has temporarily closed the Resource Recovery Facility to enable the facility to undertake a modernization program in order to meet Environmental Protection Agency standards. A significant financing was issued in December 2003 to fund the costs of the project. If the facility fails to generate sufficient revenues to pay debt service on the Resource Recovery Facility Revenue Bonds, Series A, D, E and F of 2003, the Resource Recovery Facility Revenue Notes, Series B and C of 2003, the Resource Recovery Facility Subordinate Variable Rate Revenue Notes, Series A of 2002, or the Resource Recovery Facility Revenue Bonds, Series A of 1998, or ceases revenue generating operations, the City of Harrisburg will be required to pay principal of and interest on such bonds and notes when due pursuant to a Guaranty Agreement among the City, The Harrisburg Authority, and the respective trustees for the bonds and notes. The County of Dauphin has provided a secondary guarantee of the Resource Recovery Facility Revenue Bonds, Series D and E collectively in the maximum aggregate principal amount not to exceed \$113,000,000 by entering into a County Bond Guaranty Agreement with The Harrisburg Authority and the trustee. The Resource Recovery segment has incurred substantial accumulated losses, which have caused the segment to experience cash flow difficulties.

The Water and Resource Recovery segments of The Harrisburg Authority have accumulated deficits at December 31, 2003 of \$18,544,332 and \$52,570,482, respectively. The deficits are primarily due to the Authority not charging enough to cover depreciation expense incurred since acquisition and not funding amortization of bond discounts, deferred bond issuance costs and deferred losses on refundings. Management anticipates that the deficits will be reduced in the Water segment through future profitability improvements. The Resource Recovery segment deficit should be reduced through obtaining additional waste conversion contracts obtained as a result of its modernization program.

In 1993, The Harrisburg Authority purchased the Resource Recovery Facility from the City. In consideration, The Harrisburg Authority paid the City approximately \$30 million. The Agreement of Sale allows for a maximum purchase price of \$55 million, with the final purchase price to be based on the financial capability of the Resource Recovery Facility. The balance of the purchase price is to be paid to the City out of proceeds of the subsequent additional financing which will also fund the improvements necessary to modernize the facility as discussed above, if sufficient contracts are entered into by the Authority to produce sufficient net revenues to support repayment of the additional debt.

During 1996, the City of Harrisburg acquired all the outstanding stock of the Harrisburg Civic Baseball Club, Incorporated (Senators) for approximately \$7,000,000. This acquisition resulted in the City's ownership of the franchise rights of the Harrisburg Senators, an AA minor league baseball team, operated and managed by the Montreal Expos. The activity related to the Senators is accounted for in the Harrisburg Senators Enterprise Fund and resulted in a negative net assets of \$4,725,025 caused mainly by the amortization of the franchise fee. In order to eliminate the accumulated deficit, the City has implemented the following measures to increase attendance and the related revenues to the City:

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- Improvements to the stadium where the Senators currently operate.
- Increase the amount of parking available to participants by allowing free parking in City owned garages
- Construct a new parking garage on City Island resulting in a net gain of 244 parking spaces for the 2003 season
- Continue efforts to maximize advertising, concession and ticket revenue

As of December 31, 2003, the City has entered into negotiations with a potential buyer for the Senators interested in relocating the AA team to another city along with negotiations for possible relocation of a AAA team to the City. Recent sales of comparable AA franchises indicate that the value of the franchise has increased since its purchase and its current value exceeds the outstanding debt. It is anticipated that the funds raised through the sale will be sufficient to eliminate the level of outstanding debt, and consequently the amount of interest expense.

19. COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate losses as a result of these transactions.

Federal and State

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Construction Commitments

The City has contractual commitments for construction, engineering and licensing related to the City properties of approximately \$1,661,000.

At the time of the issuance of the Resource Recovery Facility Revenue Bonds, Series of D, E and F of 2003, The Harrisburg Authority entered into a Professional Services Agreement in order to provide a plan for improving the Resource Recovery Facility to comply with Federal emissions requirements. The agreement required a deferred payment of \$910,730, which had been paid by The Harrisburg Authority at December 31, 2003. Additionally, the agreement requires \$9,797,559 for development fees, legal fees, design expenses and consulting fees during the final development phase, the final design phase, the construction phase and the start-up testing phase. The entire agreement remained obligated at December 31, 2003, with \$2,812,823 included in accounts payable.

At the time of the issuance of the Resource Recovery Facility Revenue Bonds, Series D, E and F of 2003, The Harrisburg Authority entered into an Agreement of Sale and Installation of Equipment for the Retrofit Project in the amount of \$45,777,957. The entire agreement remained obligated at December 31, 2003, with \$1,979,026 included in accounts payable.

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Downtown Coordinated Parking Fund

Parking revenue generated from seven parking garages, on-street parking meters and City-owned surface lots, net of expenses, are deposited to the Downtown Coordinated Parking Fund (CPF). The "Cooperation Agreement for Downtown Coordinated Parking System," dated June 27, 1984, as amended and restated on December 3, 1991, as further amended on March 16, 1994, requires the Harrisburg Parking Authority (HPA) to deposit, at least quarterly, the new revenues from the garages, parking meters, city lots and any unrestricted administrative fund balance into the Coordinated Parking Fund. The CPF currently secures the HPA Series N Bonds of 2003. Any excess fund balance is transferred to the City of Harrisburg annually. During the year, the City received a refund of \$3,277,000 representing excess amounts deposited into the system for 2003.

Guarantees

The City is contingently liable under various agreements which guarantee debt of entities not included in the primary government's financial statements aggregating \$371,371,916 at December 31, 2003, and maturing at various dates through 2025. Of the \$371,371,916, \$318,554,860 is for guarantees of component unit debt.

The City guaranteed a line-of-credit on behalf of the National Civil War Museum. The maximum amount available under the line-of credit is \$200,000. Borrowings on the line-of-credit are payable on demand, but in no event beyond December 31, 2003.

Capital Area Transit (CAT) entered into an agreement to receive federal matching funds for the purchase of 30 new replacement buses and for the enhancement of its service, through the addition of new bus routes and expansion of existing routes. CAT authorized and issued its Revolving Revenue Note of 2003 (CAT 2003 Note) in the amount of \$1,400,000. As an inducement to CAT to undertake the authorization and issuance of the CAT 2003 Note, the City of Harrisburg, Cumberland County and Dauphin County agreed to make certain annual payments to CAT through December 31, 2011. These payments are to be utilized to pay the debt service on the CAT 2003 Note. The City of Harrisburg agreed to pay \$243,168 to CAT on an annual basis.

The Harrisburg Authority guaranteed a line-of-credit on behalf of the National Civil War Museum. The maximum amount available under the line-of-credit is \$500,000. As required by the agreement, \$250,000 has been placed in a separate account and this amount is included on the Statement of Net Assets as restricted cash and cash equivalents.

Postretirement Benefits

The City provides postretirement healthcare benefits to all retirees. The benefit provisions and the City's obligation to pay those benefits are established under the labor contracts in effect at the time of the employees' retirement. Benefits paid to Non-Uniform and Police and Fire retirees are 50% and 100% of claims respectively. Benefit costs paid to 230 retirees for the year ended December 31, 2003 were approximately \$1,869,999. The City pays costs related to postretirement benefits when due.

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Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the Authority to properly close and place a final impermeable cover on its Ash Residue Disposal Landfills when they no longer accept waste and to perform certain ongoing maintenance and monitoring activities at the site for up to thirty years after closure. The estimated total current cost of closure and postclosure care costs is \$1,670,206. This estimate is based on an agreement with the Commonwealth of Pennsylvania pursuant to state regulations and is subject to change with inflation, deflation, technology, or applicable laws and regulations. The Authority has accrued \$1,429,702 landfill closure and postclosure care costs as of December 31, 2003, which represents the use of 86% of the estimated capacity of the disposal area. Based on the annual usage at December 31, 2003, the estimated remaining life of the landfill is approximately five years.

The Authority also is required by state regulations and its permit to make quarterly payments of \$30,014 to the Consolidated Closure Trust for ten years. The Authority is in compliance with those requirements and, as of December 31, 2003, cash and investments of \$1,913,124 are held for closure and postclosure care expenses. Those funds are reported as restricted assets on the Statement of Net Assets.

20. COMPLIANCE

Management of the City believes that the City has complied, in all material respects, with all applicable finance related legal and contractual provisions including applicable covenants of bond indentures.

The rate covenant calculation required under applicable trust indentures pertaining to the Resource Recovery Facility financing of The Harrisburg Authority have not been met for the year ended December 31, 2003. However, the Authority has set aside bond proceeds in amounts sufficient to cover payment of operations and debt service for 2004.

21. LITIGATION

The City is involved in several lawsuits arising in the normal course of business. Management believes that none of the litigation outstanding against the City will have a material adverse effect on the financial position of the City at December 31, 2003.

However, there is a pending claim against the City in the Dauphin County Court of Common Pleas that is likely to result in a verdict against the City. At this time, an estimate of the possible damages or verdict award cannot be made. The City has brought a concurrent action against numerous insurance companies for coverage of this action which may help mitigate any such award.

The Harrisburg Authority is involved in a claim which alleges that The Harrisburg Authority is responsible for the allocation of certain costs attributable to relocation of The Harrisburg Authority's water lines. The plaintiff's case is based upon a 1941 contract with the City of Harrisburg. A claim was filed before the Court of Common Pleas of Dauphin County seeking to enforce the 1941 contract. A

(continued)

motion for summary judgment was filed on behalf of the Harrisburg Authority, but was not successful, and all appeals on this issue have been exhausted. Absent settlement, the case will return to the Court of Common Pleas of Dauphin County. The amount at issue is approximately \$460,000.

22. TRANSACTIONS WITH COMPONENT UNIT

Certain administrative expenses in The Harrisburg Authority are expended on behalf of the City to fund certain projects or acquisitions as directed by the City. The expenses for 2003 were \$1,691,550 and are included as expenses for the Harrisburg Authority and as capital grant revenue to the primary government.

In accordance with the respective Articles 5 of the Second Supplemental Agreement of Lease, as amended by the Third Supplemental Agreement of Lease and the Collection System Lease between The Harrisburg Authority and the City of Harrisburg, Pennsylvania, the City is, at the end of each lease year, required to accumulate amounts in the sewer revenue accounts, after withdrawals for operating expense obligations, until the balance is such that the reserve shall equal the sum of (1) one-half of the lease rental due under the next lease year, and (2) one-half of the annual operating expenses as estimated by the consulting engineers, for the next succeeding lease year.

23. SUBSEQUENT EVENTS

On January 20, 2004, the City guaranteed a line-of-credit on behalf of the National Civil War Museum. The maximum amount available under the line-of-credit is \$250,000. Borrowings on the line-of-credit are payable on demand and mature no later than December 31, 2004.

On August 5, 2004, The Harrisburg Authority issued \$37,455,000 Water Revenue Refunding Bonds, Series of 2004 in order to currently refund the remaining outstanding balance of the Authority's Water Revenue Refunding Bonds, Series A of 1994, to fund a swap termination payment, to fund a deposit to the 2004 Debt Service Reserve Fund Account and to pay the costs and expenses associated with the issuance of the 2004 Bonds.

On May 15, 2004, the Harrisburg Parking Authority exercised its right to redeem, by optional redemption, the Series D Bonds, which were placed in escrow through the issuance of the Harrisburg Parking Authority's Federally Taxable Guaranteed Parking Revenue Refunding Bonds, Series G of 1994.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRISBURG, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
BUDGETARY (NON-GAAP) BASIS - GENERAL FUND
YEAR ENDED DECEMBER 31, 2003
REQUIRED SUPPLEMENTARY INFORMATION

	Budget		Variance of Original with Final Budget Positive (Negative)	Actual Amounts	Variance of Actual with Final Budget Positive (Negative)
	Original Amounts	Final Amounts			
Revenues					
Taxes	\$ 20,266,307	\$ 20,266,307	\$ -	\$ 21,447,876	\$ 1,181,569
Licenses and permits	507,000	507,000	-	467,901	(39,099)
Intergovernmental revenue	6,284,195	6,284,195	-	7,199,804	915,609
Departmental earnings	20,445,538	20,445,538	-	19,792,108	(653,430)
Fines and forfeits	1,698,000	1,698,000	-	1,633,742	(64,258)
Investment income	587,210	587,210	-	133,629	(453,581)
Miscellaneous	4,725,005	4,725,005	-	3,256,377	(1,468,628)
Total revenues	54,513,255	54,513,255	-	53,931,437	(581,818)
Expenditures					
General government					
Elected and appointed offices					
City Council	509,674	510,174	(500)	477,570	32,604
Mayor	458,006	473,506	(15,500)	429,925	43,581
City Controller	225,028	225,028	-	214,536	10,492
City Treasurer	685,254	685,254	-	650,619	34,635
City Solicitor	417,971	417,971	-	406,271	11,700
Office of City Engineer	1,532,713	1,772,713	(240,000)	1,840,461	(67,748)
Human Relations Commission	184,582	184,582	-	178,154	6,428
Mayor's Office of Economic Development	322,523	334,523	(12,000)	315,078	19,445
Mayor's Office of Special Projects	412,715	195,715	217,000	262,268	(66,553)
Total elected and appointed offices	4,748,466	4,799,466	(51,000)	4,774,882	24,584
Office of administration					
Administration	5,558,721	5,544,721	14,000	5,161,978	382,743
General expenditures	3,198,629	3,198,629	-	3,125,307	73,322
Total general government	13,505,816	13,542,816	(37,000)	13,062,167	480,649
Building and housing development	1,586,414	1,414,414	172,000	1,158,943	255,471
Public safety	24,458,976	24,458,976	-	24,369,830	89,146
Public works	4,045,943	4,019,173	26,770	4,375,305	(356,132)
Parks and recreation	3,286,119	3,387,889	(101,770)	3,319,085	(25,239)
Total expenditures	46,883,268	46,823,268	60,000	46,285,330	537,938
Excess of revenues over (under) expenditures before other financing sources (uses)	7,629,987	7,689,987	(60,000)	7,646,107	(43,880)
Other financing sources (uses)					
Transfers in	540,467	540,467	-	540,468	1
Transfers out	(8,270,454)	(8,330,454)	60,000	(8,277,764)	52,690
Total other financing sources (uses)	(7,729,987)	(7,789,987)	60,000	(7,737,296)	52,691
Net change in fund balance	(100,000)	(100,000)	-	(91,189)	8,811
Fund balances - beginning of year, budgetary basis	100,000	100,000	-	3,260,108	3,160,108
Fund balances - end of year, budgetary basis	\$ -	\$ -	\$ -	\$ 3,168,919	\$ 3,168,919

CITY OF HARRISBURG, PENNSYLVANIA**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY COMPARISON
SCHEDULE**

DECEMBER 31, 2003

REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

The actual results of operations presented in accordance with accounting principles generally accepted in the United States of America differ from the budgetary basis used in preparation of the 2003 budget for governmental funds. The budget for General Fund was prepared on a cash basis with respect to revenues and on an item voucher basis with respect to expenditures. For the purpose of preparing the Budgetary Comparison Schedule – Budgetary (Non-GAAP) Basis – General Fund, the actual results of operations have been presented on a budgetary basis consistent with the City's budgeted revenues and expenditures.

A reconciliation of the differences between the budgetary basis and GAAP basis financial statements of the General Fund is as follows:

	Fund Balance, Beginning of Year	Revenues	Expenditures	Financing Sources (Uses) and Residual Equity Transfer	Fund Balance, End of Year
Budgetary basis	\$ 3,260,108	\$ 53,931,437	\$(46,285,330)	\$ (7,737,296)	\$ 3,168,919
Taxes receivable	6,315,471	(20,712)	-	-	6,294,759
Accounts receivable	358,962	(84,165)	-	-	274,797
Other assets	693,112	-	(153,749)	-	539,363
Accounts payable, net of items vouchered	(1,959,789)	-	571,124	-	(1,388,665)
Accrued liabilities	(2,041,773)	-	1,255,677	-	(786,096)
Advances and amounts due to other funds and component units	1,219,045	131,217	(1,848,067)	-	(497,805)
Deferred revenue	(4,945,743)	(116,134)	-	-	(5,061,877)
Other	4,700,838	678,312	717,606	(65,158)	6,031,598
GAAP basis	<u>\$ 7,600,231</u>	<u>\$ 54,519,955</u>	<u>\$(45,742,739)</u>	<u>\$ (7,802,454)</u>	<u>\$ 8,574,993</u>

2. BUDGET TO ACTUAL COMPARISONS

The General Fund's budget comparison is presented in the Other Required Supplementary Information section. The nonmajor fund and major debt service fund budget comparisons are presented in the combining section. On the bottom of these comparisons is a demonstration of the adjustments necessary to reconcile to the GAAP change in fund balance/net assets.

(continued)

CITY OF HARRISBURG, PENNSYLVANIA
NON-UNIFORMED EMPLOYEES' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress 01/01/94-01/01/03

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
01/01/94	\$ 16,084,035	\$ 22,373,508	\$ 6,289,473	71.80 %	\$ 13,045,663	48.20 %
01/01/95	19,274,052	23,714,886	4,440,834	81.20	14,503,002	30.60
01/01/96	26,770,732 (2)	25,442,689	(1,328,043)	105.20	14,837,644	(8.90)
01/01/97	30,465,751	27,447,774	(3,017,977)	110.90	15,125,782	(19.90)
01/01/98	34,019,246	28,867,727	(5,151,519)	117.80	15,636,652	(32.90)
01/01/99	39,353,200	29,978,847	(9,374,353)	131.20	16,583,243	(56.50)
01/01/00	45,531,632	32,927,232	(12,604,400)	138.20	17,016,237	(74.00)
01/01/01	51,841,303	36,252,370	(15,588,933)	143.00	18,441,260	(84.50)
01/01/02	54,063,426	37,487,414	(16,576,012)	144.20	18,399,410	(90.00)
01/01/03	56,946,711	44,367,335	(12,579,376)	128.35	19,970,077	(62.90)

Schedule of Required Employer Contributions and Other Contributing Entities 1994-2003

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis For ARC	(g) Employer Contribution	(h) State Aid	Percentage Contributed [(g+h) /f]
1994	\$ 1,108,564	01/01/92	\$ 680,135	\$ 428,428	100.00 %
1995	1,128,531	01/01/93	6,727,186 (2)	311,179	623.60
1996	471,033	01/01/94	- (3)	471,033	100.00
1997	454,256	01/01/95	-	384,563	84.60
1998	483,839	01/01/96	147,169 (4)	410,327	115.20
1999	331,115	01/01/97	-	331,115	100.00
2000	267,206	01/01/98	-	267,206	100.00
2001	-	01/01/99	-	-	-
2002	-	01/01/00	-	-	-
2003	-	01/01/01	-	-	-

- (1) 1994-2003 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation bonds, Series A and B of 1995, the City deposited \$5,900,000 to materially satisfy the unfunded actuarial accrued liability for the Non-Uniformed Employees' Pension Plan "A". Additionally, the employer contribution includes \$9,835 in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation or ARC, without regard to the 15-year phase-in provision of Act 205 as amended.
- (3) 1996-1997, 1999-2000 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.
- (4) Includes a \$73,657 contribution in excess of the City's statutory funding requirement to satisfy a 1995-96 audit subsequent event finding due to an employee contribution rate assumption error in determining the 1997 minimum municipal obligation.

CITY OF HARRISBURG, PENNSYLVANIA
COMBINED FIREFIGHTERS' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress 01/01/94-01/01/03

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
01/01/94	\$ 9,687,250	\$ 21,730,280	\$ 12,043,030	44.58%	\$ 3,527,303	341.42%
01/01/95	11,254,213	23,435,403	12,181,190	48.02	3,872,452	314.56
01/01/96	24,525,663 (2)	23,642,933	(882,730)	103.73	3,859,094	(22.87)
01/01/97	28,010,066	25,124,396	(2,885,670)	111.49	4,159,387	(69.38)
01/01/98	31,292,069	25,039,429	(6,252,640)	124.97	3,979,412	(157.12)
01/01/99	35,998,739	27,297,560	(8,701,179)	131.88	4,246,322	(204.91)
01/01/00	41,417,147	27,847,384	(13,569,763)	148.73	4,223,595	(321.28)
01/01/01	46,998,856	30,136,310	(16,862,546)	155.95	4,711,683	(357.89)
01/01/02	49,385,139	37,980,915	(11,404,224)	130.03	5,001,240	(228.28)
01/01/03	52,137,628	39,968,496	(12,169,132)	130.40	4,898,162	(248.40)

Schedule of Required Employer Contributions and Other Contributing Entities 1994-2003

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis for ARC	(g) Employer Contribution	(h) State Aid	Percentage Contributed [(g+h) / f]
1994	\$ 892,659	01/01/92	\$ 335,087	\$ 557,572	100.00%
1995	919,155	01/01/93	12,662,452 (2)	269,753	1,406.97
1996	307,639	01/01/94	- (3)	307,639	100.00
1997	402,640	01/01/95	-	402,640	100.00
1998	393,524	01/01/96	-	393,524	100.00
1999	223,568	01/01/97	-	223,568	100.00
2000	167,966	01/01/98	-	167,966	100.00
2001	188,199	01/01/99	-	188,199	100.00
2002	145,716	01/01/00	-	145,716	100.00
2003	107,728	01/01/01	-	107,728	100.00

- (1) 1994-2003 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation Bonds, Series A and B of 1995, the City deposited \$12,000,000 to satisfy the unfunded actuarial accrued liability for the Firefighters' Pension Plan "A". Additionally, the employer contribution includes \$13,050 in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation, or ARC, without regard to the 15-year phase-in provision of Act 205 as amended.
- (3) 1996-2003 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

CITY OF HARRISBURG, PENNSYLVANIA
COMBINED POLICE OFFICERS' PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress 01/01/94-01/01/03

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
01/01/94	\$ 12,347,099	\$ 29,734,568	\$ 17,387,469	41.52%	\$ 6,589,888	263.85%
01/01/95	15,173,218	31,622,366	16,449,148	47.98	6,991,670	235.27
01/01/96	33,462,010	33,081,005	(381,005)	101.15	7,162,027	(5.32)
01/01/97	38,558,258	35,147,819	(3,410,439)	109.70	7,436,274	(45.86)
01/01/98	43,280,978	36,683,332	(6,597,646)	117.99	7,889,242	(83.63)
01/01/99	49,828,312	39,413,195	(10,415,117)	126.43	8,272,417	(125.90)
01/01/00	57,143,147	36,876,195	(20,266,952)	154.96	7,968,452	(254.34)
01/01/01	57,189,470	39,086,593	(18,102,877)	146.31	8,008,858	(226.04)
01/01/02	55,690,061	47,122,954	(8,567,107)	118.18	8,210,921	(104.34)
01/01/03	48,588,557	50,541,728	1,953,171	96.14	9,007,242	21.68

Schedule of Required Employer Contributions and Other Contributing Entities 1994-2003

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis for ARC	(g) Employer Contribution	(h) State Aid	Percentage Contributed [(g+h) / f]
1994	\$ 1,581,122	01/01/92	\$ 449,939	\$ 1,131,183	100.00%
1995	1,657,749	01/01/93	16,749,595 (2)	895,980	1,064.43
1996	974,289	01/01/94	- (3)	974,289	100.00
1997	699,373	01/01/95	-	699,373	100.00
1998	731,496	01/01/96	-	731,496	100.00
1999	466,435	01/01/97	-	466,435	100.00
2000	469,959	01/01/98	-	469,959	100.00
2001	310,040	01/01/99	-	310,040	100.00
2002	-	01/01/00	-	-	-
2003	-	01/01/01	-	-	-

- (1) 1994-2003 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 1990-189, enacted on December 18, 1990, with implementation effective January 1, 1992.
- (2) On December 28, 1995, in connection with the issuance of Federally Taxable General Obligation bonds, Series A and B of 1995, the City deposited \$15,950,085 to materially satisfy the unfunded actuarial accrued liability for the Police Officers' Pension Plan. Also includes a \$37,741 contribution in excess of the City's statutory funding requirement to satisfy the full minimum municipal obligation, or ARC, without regard to the 15-year phase in provision of Act 205 as amended.
- (3) 1996-2001 – State aid was sufficient to meet the City's annual required contribution. Therefore, no employer contribution is reflected here.

CITY OF HARRISBURG, PENNSYLVANIA
NOTES TO PENSION PLAN SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2003

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

	Non-Uniformed Employees'		Firefighters'	Police Officers'
	Plan A	Plan B	Combined	Combined
Actuarial valuation date	1/1/03	1/1/03	1/1/03	1/1/03
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age Normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	12 years	12 years	12 years	14 years
Asset valuation method	Fair value	Fair value	Fair value	Fair value
Actuarial assumptions				
Investment rate of return	6.5% net of expenses	6.5% net of expenses	6.5% net of expenses	8.0% net of expenses
Projected salary increases	5.2%	5.2%	5.2%	5.0%

**COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF HARRISBURG, PENNSYLVANIA
DESCRIPTION OF FUNDS
NONMAJOR GOVERNMENTAL FUNDS

State Liquid Fuels Tax Fund

The State Liquid Fuels Tax Fund is used to account for state aid revenue used primarily for building and improving City roads and bridges in accordance with policies and procedures of the County Liquid Fuels Tax Act of 1981 and Liquid Fuels Act 655.

Parks and Property Improvement Fund

The Parks and Property Improvement Fund is used to account for contributions that have been designated for improvements to specific parks and properties in the City.

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	Special Revenue		
	State Liquid Fuels Tax Fund	Parks and Property Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 262,265	\$ 483,167	\$ 745,432
Due from other funds	10,742	48,522	59,264
Total assets	<u>\$ 273,007</u>	<u>\$ 531,689</u>	<u>\$ 804,696</u>
LIABILITIES AND FUND BALANCE			
Accounts payable	\$ 18,943	\$ 7,648	\$ 26,591
Accrued liabilities	4,946	-	4,946
Due to other funds	342	399,890	400,232
Total liabilities	<u>24,231</u>	<u>407,538</u>	<u>431,769</u>
Fund balance			
Unreserved undesignated	<u>248,776</u>	<u>124,151</u>	<u>372,927</u>
Total fund balance	<u>248,776</u>	<u>124,151</u>	<u>372,927</u>
Total liabilities and fund balance	<u>\$ 273,007</u>	<u>\$ 531,689</u>	<u>\$ 804,696</u>

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003

	Special Revenue		Total Nonmajor Governmental Funds
	State Liquid Fuels Tax Fund	Parks and Property Improvement Fund	
Revenues			
Intergovernmental revenue	\$ 754,849	\$ -	\$ 754,849
Department earnings and program revenue	-	11,317	11,317
Investment income	5,859	-	5,859
Total revenues	760,708	11,317	772,025
Expenditures			
Current			
General government	-	15,973	15,973
Public works	716,708	-	716,708
Total expenditures	716,708	15,973	732,681
Excess of revenues over (under) expenditures	44,000	(4,656)	39,344
Other financing sources (uses)			
Transfers out	(171,039)	-	(171,039)
Total other financing sources (uses)	(171,039)	-	(171,039)
Net change in fund balance	(127,039)	(4,656)	(131,695)
Fund balances - beginning of year	375,815	128,807	504,622
Fund balances - end of year	\$ 248,776	\$ 124,151	\$ 372,927

CITY OF HARRISBURG, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULES
BUDGETARY (NON-GAAP) BASIS - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003

	Nonmajor Fund					Major Fund				
	State Liquid Fuels Tax Fund					Debt Service Fund				
	Original Budget	Final Budget	Variance of Original with Final Budget Positive (Negative)	Actual	Variance of Actual with Final Budget Positive (Negative)	Original Budget	Final Budget	Variance of Original with Final Budget Positive (Negative)	Actual	Variance of Actual with Final Budget Positive (Negative)
Revenues										
Intergovernmental revenue	\$ 755,758	\$ 755,758	\$ -	\$ 754,849	\$ (909)	\$ -	\$ -	\$ -	\$ -	\$ -
Investment income	9,000	9,000	-	4,293	(4,707)	6,000	6,000	-	1,039	(4,961)
Total revenues	764,758	764,758	-	759,142	(5,616)	6,000	6,000	-	1,039	(4,961)
Expenditures										
Public works	697,299	697,299	-	631,958	65,341	-	-	-	-	-
Debt service	-	-	-	-	-	8,787,184	8,787,184	-	8,785,870	1,314
Total expenditures	697,299	697,299	-	631,958	65,341	8,787,184	8,787,184	-	8,785,870	1,314
Excess of revenues over (under) expenditures before other financing sources (uses)	67,459	67,459	-	127,184	59,725	(8,781,184)	(8,781,184)	-	(8,784,831)	(3,647)
Other financing sources (uses)										
Transfers in	-	-	-	-	-	8,656,929	8,656,929	-	8,659,135	2,206
Transfers out	(111,475)	(111,475)	-	(171,039)	(59,564)	-	-	-	-	-
Total other financing sources (uses)	(111,475)	(111,475)	-	(171,039)	(59,564)	8,656,929	8,656,929	-	8,659,135	2,206
Net change in fund balance	(44,016)	(44,016)	-	(43,855)	161	(124,255)	(124,255)	-	(125,696)	(1,441)
Fund balances - beginning of year, budgetary basis	44,016	44,016	-	329,803	285,787	124,255	124,255	-	225,207	100,952
Fund balances - end of year, budgetary basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,948</u>	<u>\$ 285,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,511</u>	<u>\$ 99,511</u>
Explanation of differences between budget basis and GAAP										
Net change in fund balance - budgetary basis				\$ (43,855)					\$ (125,696)	
Accrued expenditures - December 31, 2002				19,719					-	
Accrued expenditures - December 31, 2003				(22,260)					-	
Non-budgeted grant activity				(59,668)					-	
Reclassifications				(20,975)					-	
Net change in fund balance - GAAP basis				<u>\$ (127,039)</u>					<u>\$ (125,696)</u>	

CITY OF HARRISBURG, PENNSYLVANIA
DESCRIPTION OF FUNDS
AGENCY FUNDS

Agency Funds

The School Tax Collection Fund is used to account for the collection and payment to the school district of property taxes billed and collected on its behalf.

The Payroll and Other Escrow Liabilities Fund is used to account for the collection and payment of miscellaneous escrow liabilities.

The Pass-Through Grant Fund is used to account for the temporary collection and disbursement of pass-through grants.

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
DECEMBER 31, 2003

	School Tax Collection	Payroll and Other Escrow Liabilities	Pass- Through Grants	Total Agency Funds
ASSETS				
Cash	\$ 476,002	\$ 246,523	\$ 795	\$ 723,320
Investments, at fair value	-	-	2,655,924	2,655,924
Total assets	<u>476,002</u>	<u>246,523</u>	<u>2,656,719</u>	<u>3,379,244</u>
LIABILITIES				
Due to other governments	476,002	-	-	476,002
Escrow liabilities	-	246,523	2,656,719	2,903,242
Total liabilities	<u>\$ 476,002</u>	<u>\$ 246,523</u>	<u>\$ 2,656,719</u>	<u>\$ 3,379,244</u>

CITY OF HARRISBURG, PENNSYLVANIA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2003

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>End of Year</u>
School Tax Collection				
Assets				
Cash	<u>\$ 1,288,041</u>	<u>\$ 32,066,222</u>	<u>\$ 32,878,261</u>	<u>\$ 476,002</u>
Liabilities				
Due to other governments	<u>\$ 1,288,041</u>	<u>\$ 32,066,222</u>	<u>\$ 32,878,261</u>	<u>\$ 476,002</u>
 Payroll and Other Escrow Liabilities				
Assets				
Cash	<u>\$ 321,115</u>	<u>\$ 39,490,212</u>	<u>\$ 39,564,804</u>	<u>\$ 246,523</u>
Liabilities				
Accounts payable	<u>\$ 1,938</u>	<u>\$ -</u>	<u>\$ 1,938</u>	<u>\$ -</u>
Escrow liabilities	<u>319,177</u>	<u>39,492,150</u>	<u>39,564,804</u>	<u>246,523</u>
Total liabilities	<u>\$ 321,115</u>	<u>\$ 39,492,150</u>	<u>\$ 39,566,742</u>	<u>\$ 246,523</u>

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CITY OF HARRISBURG, PENNSYLVANIA
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION⁽¹⁾
1994-2003

<u>General Government</u>										
<u>Year</u>	<u>City Officials</u>	<u>Admin.</u>	<u>General Expend.</u>	<u>Bldg. & Housing Dev.</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks & Rec.</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Totals</u>
1994	\$ 1,707,858	\$ 2,957,826	\$ 7,235,388 ⁽²⁾	\$ 9,001,047 ⁽³⁾	\$ 15,064,655	\$ 4,893,693	\$ 2,025,227	\$ 5,928,817	\$ 3,340,108	\$ 52,154,619
1995	1,831,406	3,089,847	10,439,533 ⁽²⁾	5,791,915	15,475,044	4,618,905	2,351,433	23,271,734	29,272,837 ⁽⁴⁾	96,142,654
1996	1,979,161	3,205,345	3,749,384 ⁽²⁾	6,790,367	16,540,144	6,328,177	2,350,820	11,588,243	4,999,755	57,531,396
1997	2,268,886	3,395,707	3,476,077	8,844,613 ⁽⁵⁾	16,909,951	4,832,969	2,633,083	3,626,016	5,132,213	51,119,515
1998	3,411,931 ⁽⁶⁾	3,647,771	7,189,662	17,530,908 ⁽⁷⁾	17,889,499	3,889,347 ⁽⁶⁾	2,962,229	2,439,194	3,859,266	62,819,807
1999	3,370,378	3,881,172	3,405,094	14,031,749 ⁽⁷⁾	18,544,296	3,983,674	3,035,742	9,284,841	8,899,734 ⁽⁸⁾	68,436,680
2000	3,542,164	4,181,525	4,481,431	8,576,269	20,391,310	4,178,179	3,423,771	20,564,577 ⁽⁹⁾	8,436,891	77,776,117
2001	3,715,331	4,370,954	4,581,789	9,347,651	21,741,427	4,643,158	3,410,527	11,971,080 ⁽⁹⁾⁽¹⁰⁾	8,443,320	72,225,237
2002	4,536,384 ⁽¹¹⁾	4,983,912	2,976,323 ⁽¹²⁾	7,527,264	25,611,221 ⁽¹³⁾	4,535,518	3,709,992	5,437,874	8,727,077	68,045,565
2003	3,203,986	5,416,606	2,927,990	8,057,397	29,474,614 ⁽¹⁴⁾	5,176,582	4,141,567	383,478	10,332,601 ⁽¹⁵⁾	69,114,821

- (1) This schedule includes those expenditures recorded in the General, Special Revenue, Debt Service, and Capital Projects Funds for 1994-2002, and adds Other Governmental Funds beginning in 2003.
- (2) Includes \$1,524,508 in 1994 of the City's \$6,000,000 commitment to the Whitaker Center for Science and the Arts. In 1995, \$2,717,325 was expended for this project and \$2.8 million for the Resource Recovery Facility tipping contract litigation settlement. In 1996, \$654,941 was expended for the Whitaker Center.
- (3) Includes expenditures of federal and state grant funds for the Washington Square Phase II (\$2,800,000) and Pennsylvania National Insurance Corporation (\$2,514,000) projects, respectively.
- (4) Includes payoff of \$25,000,000 General Obligation Note, Series of 1992.
- (5) Includes expenditures of federal and state grant funds for the Sylvan Heights Mansion rehabilitation project (the new YWCA), the Whitaker Center, the former McFarland Press Building, and completion of the Summit Terrace Townhomes project.
- (6) Includes \$1.1 million in street lighting costs in the Office of City Engineer that were expended from Public Works prior to 1998.
- (7) Includes approximately \$10.7 million and \$6.6 million in 1998 and 1999, respectively, in state grant funds, and passed through to the Whitaker Center project.
- (8) Principal retirements increased approximately \$5.2 million, primarily from increased debt service on the 1995 Unfunded Pension Liability Bonds, Series A and B, and on the 1997 G.O. Issues, Series D, E, F and G.
- (9) Includes approximately \$15.2 and \$3.9 million in 2000 and 2001, respectively, for National Civil War Museum expenditures.
- (10) Includes approximately \$3.6 million for the purchase of street lights.
- (11) Includes approximately \$500,000 in increased personnel and consulting costs and nearly \$300,000 in new lease/purchase expense resulting from the purchase of the Streetlighting System in 2001.
- (12) Personnel benefit costs such as severance pay, workers compensation, and pension plan contributions decreased over \$944,000 from 2001.
- (13) Includes approximately \$1.5 million from normal salary, benefits and inflationary increases, and \$2.4 million from Local Law Enforcement Block Grants, Metro Mobile Enhancement and Auto Theft Prevention grants for hiring police officers and related equipment costs.
- (14) Includes approximately \$1.1 million from normal salary, benefits and inflationary increases; and nearly \$603,000 for severance pay, workers compensation and pension costs expended from General Expenditures prior to 2003. Also includes \$546,655 for Department of Homeland Security, Urban Search and Rescue Grants; \$613,062 for U.S. Department of Justice, COPS Grants; \$230,422 for U.S. Department of Justice Weed and Seed Grants and \$819,527 of additional State Grants.
- (15) Beginning in 2003, debt service includes principal and interest on capital leases.

Source: City's audited basic financial statements.

CITY OF HARRISBURG, PENNSYLVANIA

GENERAL GOVERNMENTAL REVENUES BY SOURCE ⁽¹⁾

1994 - 2003

<u>Year</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Intergovt. Revenue</u>	<u>Dept. Earnings</u>	<u>Fines & Forfeits</u>	<u>Investment Income</u>	<u>Misc.</u>	<u>Totals</u>
1994	\$ 16,406,732	\$ 300,561	\$ 15,291,029 ⁽²⁾	\$ 9,399,304 ⁽³⁾	\$ 1,036,327	\$ 1,825,428	\$ 293,747	\$ 44,553,128
1995	16,662,379	301,629	7,850,856	9,836,630	1,174,610	2,094,159	1,278,948 ⁽⁴⁾	39,199,211
1996	16,809,841	316,315	10,574,141 ⁽⁵⁾	10,967,765	1,277,856	1,221,606	3,294,150 ⁽⁶⁾	44,461,674
1997	16,777,025	329,641	12,904,553 ⁽⁷⁾	14,432,201 ⁽⁸⁾	1,178,353	1,109,304	621,776	47,352,853
1998	18,664,865 ⁽⁹⁾	356,350	22,525,004 ⁽¹⁰⁾	11,357,621	1,176,021	979,175	3,847,531 ⁽¹¹⁾	58,906,567
1999	17,725,513	392,418	17,679,420 ⁽¹⁰⁾	13,951,499 ⁽¹²⁾	1,373,780	1,182,583	3,159,906 ⁽¹³⁾	55,465,119
2000	18,821,081 ⁽¹⁴⁾	415,979	26,906,417 ⁽¹⁵⁾	13,877,353	1,315,675	2,348,892	5,720,349 ⁽¹³⁾⁽¹⁶⁾	69,405,746
2001	18,984,666	467,488	16,706,490 ⁽¹⁵⁾	16,518,832 ⁽¹⁷⁾	1,330,175	977,590	3,993,829 ⁽¹³⁾⁽¹⁸⁾	58,979,070
2002	20,712,704 ⁽¹⁹⁾	497,777	15,299,379	17,823,989	1,448,632	197,297	2,046,823 ⁽²⁰⁾	58,026,601
2003	21,363,287	423,696	20,170,175 ⁽²¹⁾	21,933,561 ⁽²²⁾	1,697,651	68,877	3,833,537 ⁽²³⁾	69,490,784

⁽¹⁾ This schedule includes those revenues recorded in the General, Special Revenue, Debt Service and Capital Projects Funds for 1994-2002 and adds Other Governmental Funds beginning in 2003.

⁽²⁾ Includes receipt of federal and state grant funds for the Washington Square Phase II (\$2,800,000) and Pennsylvania National Insurance Corporation (\$2,514,000) projects, respectively. Also, other grant revenues increased over \$651,000, as did parking revenues by \$525,585.

⁽³⁾ General Fund administrative service chargebacks to the Special Revenue and Enterprise Funds increased over \$2 million.

⁽⁴⁾ Includes refunds from Blue Cross/Blue Shield Rate Stabilization Fund for premium overpayments totaling \$716,759.

⁽⁵⁾ Pension system state aid increased \$781,168, parking revenue increased \$500,000, and capital fire protection payment increased \$248,000.

⁽⁶⁾ Reimbursement from FEMA and PEMA for flood and blizzard expenditures, and approximately \$400,000 in savings from bond restructuring.

⁽⁷⁾ Includes receipt of \$1.0 million in state grants for the Whitaker Center for Science and the Arts and Science Project, as well as Enterprise Community and other state grants for building and housing projects and police equipment.

⁽⁸⁾ Includes \$2.0 million on deposit with The Harrisburg Authority. Also, administrative service chargebacks increased \$321,000.

⁽⁹⁾ Real estate tax revenue increased \$563,869 over 1997 and transfer taxes collected were \$909,980 higher primarily due to the sale of Forum Place and the PA Department of Transportation Building to the Dauphin County General Authority.

⁽¹⁰⁾ Includes receipt of \$10.7 million and \$6.6 million during 1998 and 1999, respectively, in state grants for the Whitaker Center project.

⁽¹¹⁾ Includes a \$2.7 million reimbursement from The Harrisburg Authority for prior year expenditures.

⁽¹²⁾ The Special Revenue Fund experienced a \$1.8 million increase in program income that provided for the repayment of a 1990 Section 108 Note.

⁽¹³⁾ Received a \$2,136,800 settlement from Pinnacle Health Systems in-lieu-of taxes for 1994-1999 and \$267,100 in 2000 and 2001.

⁽¹⁴⁾ Real estate tax revenue increased \$1.1 million due to a tax rate increase, the City's first increase since 1988.

⁽¹⁵⁾ Includes approximately \$15.2 and \$4.8 million in 2000 and 2001, respectively, in state grant reimbursements for the National Civil War Museum.

⁽¹⁶⁾ Includes a \$4.2 million payment from The Harrisburg Authority for the City to guarantee the Authority's Resource Recovery Notes, Series of 2000.

⁽¹⁷⁾ Administrative service chargebacks increased \$2.4 million over 2000.

⁽¹⁸⁾ Includes a \$2.5 million payment from the Harrisburg Redevelopment Authority for the City to Guarantee the Authority's \$20,170,000 Revenue Bonds, Series of 2001, as well as \$1.1 million from an interest rate swap transaction.

⁽¹⁹⁾ The \$1.7 million increase in tax revenue is primarily the result of Dauphin County's first county-wide reassessment since 1972. These new values became effective January 1, 2002, increasing the City's assessment base nearly 100%.

⁽²⁰⁾ Includes approximately \$1.9 million in refund of expenditures from The Harrisburg Authority's Resource Recovery Fund.

⁽²¹⁾ Includes \$810,516 of additional pension system state aid; \$700,000 in additional Coordinated Parking Fund revenue and \$2.6 million in additional grants.

⁽²²⁾ Includes increases of approximately \$4.0 million in administrative service chargebacks to the Special Revenue and Enterprise Funds and \$525,000 in Grant Fund program income.

⁽²³⁾ Includes approximately \$2.8 million in fees for the City to guarantee The Harrisburg Authority's Resource Recovery Facility Revenue Bonds and Notes, Series A-F of 2003, \$100,000 of payments in lieu of taxes and \$300,000 in contributions and refunds.

Source: City's audited basic financial statements.

CITY OF HARRISBURG, PENNSYLVANIA

PROPERTY TAX LEVIES AND COLLECTIONS 1994 - 2003

<u>Year</u>	<u>Total Flat Billing</u>	<u>Adjusted Levy</u>	<u>Current Year Collections</u>	<u>Percent of Adjusted Levy</u>	<u>Total Collections</u>	<u>Percent of Adjusted Levy</u>	<u>Total Outstanding Delinquent Taxes</u>	<u>Percent of Adjusted Levy</u>
1994	\$11,529,811 ⁽¹⁾	\$11,571,260 ⁽¹⁾	\$9,958,979	86	\$11,202,239	97	\$1,562,008	13
1995	11,537,302 ⁽¹⁾	11,585,944 ⁽¹⁾	10,090,523	87	11,568,386	100	1,689,947	15
1996	11,481,131 ⁽¹⁾	11,522,143 ⁽¹⁾	10,200,299	89	11,422,860	99	1,311,400	11
1997	11,533,210 ⁽¹⁾	11,809,887 ⁽¹⁾	10,127,851	86	11,487,492	97	1,320,533	12
1998	11,804,334 ⁽¹⁾	12,151,076 ⁽¹⁾	10,239,726	84	11,566,828	95	1,125,808	9
1999	11,910,170 ⁽¹⁾	12,009,916 ⁽¹⁾	10,015,954	83	11,207,058	93	1,474,827	12
2000	13,075,126 ⁽²⁾	13,166,873 ⁽²⁾	11,066,488 ⁽²⁾	84	12,349,427 ⁽²⁾	94	1,578,031 ⁽²⁾	12
2001	13,175,158	13,255,169	11,246,161	85	12,368,224	93	1,345,947	10
2002	14,492,959 ⁽³⁾	14,673,651 ⁽³⁾	12,099,685 ⁽³⁾	82	13,516,092 ⁽³⁾	92	1,917,015 ⁽³⁾	13
2003	14,264,738	14,422,121	12,061,330	84	13,483,593	93	1,723,704	12

⁽¹⁾ Net of \$949,013 billing for two City hospitals assessed as taxable entities for the first time in 1993 by the County of Dauphin. Both hospitals appealed their assessments as taxable entities before the Court of Common Pleas and on March 23, 1995, were granted their petition to remove property from the assessment rolls and to strike the tax assessment only with respect to 1993. Both hospitals merged in 1996 as part of Pinnacle Health System ("Pinnacle") and appealed with respect to 1994, 1995, 1996, 1997 and 1998 to the Commonwealth Court. The decision was upheld in January, 1998. Pinnacle appealed this ruling to the Pennsylvania State Supreme Court. Prior to resolution of this matter by the Court, but after passage by the General Assembly of a new charitable exemptions law under which the hospitals were certain to qualify, the parties reached an agreement. The terms of the agreement covered 1994-2001 and provided that the subject properties would be listed as tax exempt. In consideration for such unchallenged tax exempt to pay the City \$1,869,700 in lump sum, for the years 1994-1998 and \$267,100, annually, for the years 1999-2001. The City received \$2,136,800 in 1999 to cover the period 1994-1999 and \$267,100 in 2000 and 2001. Because Pinnacle refused to negotiate any further payments to the City in lieu of real estate taxes after 2001, the City in January 2002 sought to have certain Pinnacle properties placed back on the tax rolls, while at the same time, Pinnacle applied to the Dauphin County Board of Assessment Appeals (the "Board") for an exemption of its real estate. After conducting hearings, the Board on May 31, 2002 denied Pinnacle's application for exemption. Pinnacle appealed the Board's decision to the Dauphin County Court of Common Pleas, which in January 2003 scheduled a hearing on Pinnacle's appeal, to be held in the Fall of 2003. Pinnacle, the City, the School District, the County and the Board entered into negotiations to settle the appeal, resulting in a postponement of the hearing. The parties executed and delivered a settlement agreement as of December 18, 2003, which settled the issues raised in Pinnacle's appeal. Under the settlement, Pinnacle agrees to make payments in lieu to the City, the School District and the County, for a term of five years covering tax years 2003 through 2007. Thereafter, the agreement, including the obligation to make PILOTs, automatically renews for one-year terms, unless a party objects to any such extension. Pinnacle made PILOTs to the City of \$94,442 and 103,499 during tax years 2003 and 2004, respectively.

⁽²⁾ Real estate tax billing increased over \$1.1 million due to a tax rate increase, the first such increase since 1988.

⁽³⁾ Real estate tax billing increased over \$1.3 million due to a court ordered county-wide reassessment, the first such reassessment since 1972. This action increased taxable property assessments by nearly 100%, effective January 1, 2002.

Sources: City's Bureau of Information Technology and Financial Management

CITY OF HARRISBURG, PENNSYLVANIA

ASSESSED AND APPRAISED VALUE OF TAXABLE PROPERTY
1994 - 2003

<u>Year</u>	<u>Land</u>		<u>Improvements</u>	
	<u>Assessed</u>	<u>Appraised</u>	<u>Assessed</u>	<u>Appraised</u>
1994 ⁽¹⁾	\$ 141,875,160	\$ 141,875,160	\$ 738,822,190	\$ 738,822,190
1995	139,992,760	139,992,760	745,166,390	745,166,390
1996	138,835,000	138,835,000	741,205,900	741,205,900
1997	138,668,200	138,668,200	747,476,200	747,476,200
1998	139,738,600	139,738,600	771,149,700	771,149,700
1999	138,857,000	138,857,000	785,465,900	785,465,900
2000 ⁽¹⁾	129,489,300	129,489,300	711,995,700	711,995,700
2001	129,004,400	129,004,400	724,820,800	724,820,800
2002 ⁽²⁾	371,924,800	371,924,800	1,330,249,300	1,330,249,300
2003	365,839,200	365,839,200	1,310,675,000	1,310,675,000

⁽¹⁾ The City's trend of real estate appraisals and assessments for years 1994-2003 is shown in the table above. The County of Dauphin assesses values of properties at 100% of appraised (market) value. Also, beginning in 1993, the County assessed two City hospitals as taxable entities at values totaling \$82,830,800 - Polyclinic Medical Center (\$43,823,900) and Harrisburg Hospital (\$39,006,900). Both hospitals appealed their assessments as taxable entities before the Court of Common Pleas and on March 23, 1995, were granted their petition to remove property from the assessment rolls and to strike the tax assessment only with respect to 1993. Both hospitals merged in 1996 as part of Pinnacle Health System ("Pinnacle") and appealed with respect to 1994, 1995, 1996, 1997 and 1998 to the Commonwealth Court. The decision was upheld in January, 1998. Pinnacle appealed this ruling to the Pennsylvania State Supreme Court. Prior to resolution of this matter by the Court, but after passage by the General Assembly of a new charitable exemptions law under which the hospitals were certain to qualify, the parties reached an agreement. The terms of the agreement covered 1994-2001 and provided that the subject properties would be listed as tax exempt. In consideration for such unchallenged tax exempt status, Pinnacle was to pay the City \$1,869,700 in lump sum, for the years 1994-1998 and \$267,100, annually, for the years 1999-2001. The City received \$2,136,800 in 1999 to cover the period 1994-1999 and \$267,100 in 2000 and 2001. Because Pinnacle refused to negotiate any further payments to the City in lieu of real estate taxes after 2001, the City in January 2002 sought to have certain Pinnacle properties placed back on the tax rolls, while at the same time, Pinnacle applied to the Dauphin County Board of Assessment Appeals (the "Board") for an exemption of its real estate. After conducting hearings, the Board on May 31, 2002 denied Pinnacle's application for exemption. Pinnacle appealed the Board's decision to the Dauphin County Court of Common Pleas, which in January 2003 scheduled a hearing on Pinnacle's appeal, to be held in the Fall of 2003. Pinnacle, the City, the School District, the County and the Board entered into negotiations to settle the appeal, resulting in a postponement of the hearing. The parties executed and delivered a settlement agreement as of December 18, 2003, which settled the issues raised in Pinnacle's appeal. Under the settlement, Pinnacle agrees to make payments in lieu of taxes (PILOTs) to the City, the School District and the County, for a term of five years covering tax years 2003 through 2007. Thereafter, the agreement, including the obligation to make PILOTs, automatically renews for one-year terms, unless a party objects to any such extension. The reduction in land and improvement values shown in this table between 1999 and 2000 principally reflects the removal of these hospital properties from the tax rolls. Pinnacle made PILOTs to the City of \$94,442 and \$103,499 during tax years 2003 and 2004, respectively.

⁽²⁾ Reflects the result of a court-ordered County-wide reassessment effective January 1, 2002. This was the first such reassessment since 1972, increasing the City's taxable assessed property value base by nearly 100%.

Source: City's Bureau of Information Technology

CITY OF HARRISBURG, PENNSYLVANIA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

1994 - 2003

Year	Tax Rates ⁽¹⁾				Assessed Property Values	
	City ⁽²⁾	School District	County	Total	Taxable	Non-Taxable
1994	14.42	30.82	7.05	52.29	\$ 880,697,350 ⁽³⁾	\$ 624,568,770 ⁽³⁾
1995	14.42	32.82	7.05	54.29	885,159,150	636,144,170
1996	14.42	37.62	7.05	59.09	880,040,900	640,892,000
1997	14.42	39.62	8.55	62.59	886,144,400	642,751,200
1998	14.42	40.62	8.55	63.59	910,888,300	643,197,700
1999	14.42	40.62	8.55	63.59	924,322,900	596,899,700
2000	15.60	40.62	9.80	66.02	841,485,000 ⁽³⁾	683,119,000 ⁽³⁾
2001	15.60	40.62	9.80	66.02	853,825,200	681,497,800
2002	8.52 ⁽⁴⁾	21.23 ⁽⁴⁾	5.07 ⁽⁴⁾	34.82 ⁽⁴⁾	1,702,174,100 ⁽⁴⁾	1,342,511,700 ⁽⁴⁾
2003	8.52	21.23	6.13	35.88	1,676,514,200	1,373,031,801

⁽¹⁾ Per \$1,000 in Assessed Valuation. Assessments equal 100% of estimated property values.

⁽²⁾ This amount represents an equivalent single tax rate. The City actually utilizes a split-rate, or two-rate, tax system whereby land is currently taxed at a rate six times greater than the tax rate on buildings and improvements.

⁽³⁾ Beginning in 1993, the County assessed two City hospitals as taxable entities at values totaling \$82,830,800 - Polyclinic Medical Center (\$43,823,900) and Harrisburg Hospital (\$39,006,900). Both hospitals appealed their assessments as taxable entities before the Court of Common Pleas and on March 23, 1995, were granted their petition to remove property from the assessment rolls and to strike the tax assessment only with respect to 1993. Both hospitals merged in 1996 as part of Pinnacle Health System ("Pinnacle") and appealed with respect to 1994, 1995, 1996, 1997 and 1998 to the Commonwealth Court. The decision was upheld in January, 1998. Pinnacle appealed this ruling to the Pennsylvania State Supreme Court. Prior to resolution of this matter by the Court, but after passage by the General Assembly of a new charitable exemptions law under which the hospitals were certain to qualify, the parties reached an agreement. The terms of the agreement covered 1994 - 2001 and provided that the subject properties would be listed as tax exempt. In consideration for such unchallenged tax exempt status, Pinnacle was to pay the City \$1,869,700 in lump sum, for the years 1994 - 1998 and \$267,100, annually, for the years 1999 - 2001. The City received \$2,136,800 in 1999 to cover the period 1994-1999 and \$267,100 in 2000 and 2001. Because Pinnacle refused to negotiate any further payments to the City in lieu of real estate taxes after 2001, the City in January 2002 sought to have certain Pinnacle properties placed back on the tax rolls, while at the same time, Pinnacle applied to the Dauphin County Board of Assessment Appeals (the "Board") for an exemption of its real estate. After conducting hearings, the Board on May 31, 2002 denied Pinnacle's application for exemption. Pinnacle appealed the Board's decision to the Dauphin County Court of Common Pleas, which in January 2003 scheduled a hearing on Pinnacle's appeal, to be held in the Fall of 2003. Pinnacle, the City, the School District, the County and the Board entered into negotiations to settle the appeal, resulting in a postponement of the hearing. The parties executed and delivered a settlement agreement as of December 18, 2003, which settled the issues raised in Pinnacle's appeal. Under the settlement, Pinnacle agrees to make payments in lieu of taxes (PILOTs) to the City, the School District and the County, for a term of five years covering tax years 2003 through 2007. Thereafter, the agreement, including the obligation to make PILOTs, automatically renews for one-year terms, unless a party objects to any such extension. Pinnacle made PILOTs to the City of \$94,442 and 103,499 during tax years 2003 and 2004, respectively.

⁽⁴⁾ Via a court order, the County of Dauphin reassessed all real property county-wide effective January 1, 2002, the first such reassessment since 1972, increasing taxable and non-taxable property values nearly 100%. By law, property tax rates within the City, School District, and County were decreased proportionately so as not to exceed a 10% maximum increase in property tax levy.

Source: City's Bureau of Information Technology

CITY OF HARRISBURG, PENNSYLVANIA

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL BONDED DEBT PER CAPITA
1994 - 2003

<u>Year</u>	<u>Population</u> ⁽¹⁾	<u>Taxable Assessed Value</u>	<u>General Bonded Debt</u> ⁽²⁾	<u>Less Debt Service Funds</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Net General Bonded Debt to Assessed Value</u>	<u>Net General Bonded Debt Per Capita</u>
1994	52,376	\$ 880,697,350 ⁽³⁾	\$ 48,292,715	\$ 1,674,755	\$ 46,617,960	5.29	\$ 890.06
1995	52,376	885,159,150	65,178,852 ⁽⁴⁾	5,392,624 ⁽⁵⁾	59,786,228	6.75	1,141.48
1996	52,376	880,040,900	70,863,868 ⁽⁶⁾	4,285,983	66,577,885	7.57	1,271.15
1997	52,376	886,144,400	91,572,155 ⁽⁷⁾	3,064,559	88,507,596	9.99	1,689.85
1998	52,376	910,888,300	81,236,493	1,778,375	79,458,118	8.72	1,517.07
1999	52,376	924,322,900	69,394,047 ⁽⁸⁾	755,826	68,638,221	7.43	1,310.49
2000	48,950	841,485,000 ⁽³⁾	100,721,763 ⁽⁹⁾	574,291	100,147,472	11.90	2,045.91
2001	48,950	853,825,200	102,072,885	457,068	101,615,817	11.90	2,075.91
2002	48,950	1,702,174,100 ⁽¹⁰⁾	120,504,853 ⁽¹¹⁾	223,925	120,280,928	7.07	2,457.22
2003	48,950	1,676,514,200	97,605,314 ⁽¹²⁾	98,229	97,507,085	5.82	1,991.97

⁽¹⁾ 1994 through 1999 per 1990 U.S. Census Bureau Data, 2000 through 2003 per 2000 U.S. Census Bureau Data.

⁽²⁾ General Bonded Debt includes general obligation bonds, lease revenue bonds, and notes payable of the primary government, as well as debt of other entities guaranteed by the primary government. Amounts do not include Section 108 promissory notes and debt which is credited or excluded pursuant to the PA Local Government Unit Debt Act or is to be repaid with enterprise funds.

⁽³⁾ The County assessed two City hospitals as taxable entities for the first time in 1993 at values totaling \$82,830,800. However, both hospitals appealed their assessments as taxable entities and were granted an exemption for 1993 only. Refer to the prior page for the outcome of the appeals process.

⁽⁴⁾ Includes issuance of the following "new money" debt issues: \$25,000,000 G.O. Bonds, Series of 1995, to pay off \$25,000,000 G.O. Note - Series A of 1992; \$15,000,000 G.O. Note, Series A of 1995, through the Emmaus General Authority Bond Pool Program; and 1995 G.O. Bonds, Series A and B in the aggregate principal amount of \$35,734,416 to fund the City's unfunded actuarial accrued pension liability, net of \$33,394,416 excluded from debt per the Debt Act

⁽⁵⁾ Includes \$3,541,563 transferred from undesignated Capital Projects Fund reserves to a debt service sinking fund to provide for the payment of semi-annual interest on the \$25,000,000 1995 G.O. Bonds through their maturity. Also includes \$614,218 held in escrow for costs associated with the \$35,734,416 G.O. Bond issue which closed on 12/28/95.

⁽⁶⁾ Includes issuance of \$7,200,000 General Obligation Notes, Series of 1996.

⁽⁷⁾ Includes issuance of the following "new money" debt issues: \$650,000 Lease Revenue Notes, Series A of 1997; \$24,891,772 G.O. Refunding Bonds, Series D of 1997, to ultimately retire the \$15,000,000 G.O. Note, Series A of 1995, and to provide for additional capital projects; \$26,632,303 G.O. Refunding Notes, Series F of 1997, to refund the \$25,000,000 G.O. Bonds Series of 1995, and to provide funding for additional capital projects; and \$8,000,000 G.O. Bonds, Series A1 of 1997, to retire \$7,200,000 G.O. Notes, Series of 1996.

⁽⁸⁾ HRA Series A of 1994 Bonds outstanding of \$9,330,000 and \$580,000 G.O. Notes, Series G of 1997, were retired.

⁽⁹⁾ Includes issuance of \$25,195,000 The Harrisburg Authority Guaranteed Resource Recovery Notes, Series A&B of 2000.

⁽¹⁰⁾ The \$848 million increase is primarily attributed to a court ordered county-wide reassessment which took effect January 1, 2002.

⁽¹¹⁾ Includes issuance of \$17,000,000 Guaranteed Resource Recovery Revenue Notes, Series A of 2002.

⁽¹²⁾ The Guaranteed Resource Recovery Notes, Series A&B of 2000, in the amount of \$25,190,000 at December 31, 2002, were refunded with the excludable Guaranteed Resource Recovery Bonds and Notes, Series A - F of 2003.

Sources: City's Bureau of Information Technology and audited basic financial statements

CITY OF HARRISBURG, PENNSYLVANIA

COMPUTATION OF LEGAL DEBT MARGIN

As of December 31, 2003

The statutory borrowing limit of the City under the Commonwealth's Local Government Unit Debt Act is computed as a percentage of the City's "Borrowing Base." The "Borrowing Base" is calculated as the annual arithmetic average of total "Revenues" (as defined by the Debt Act) for the three full fiscal years ended next preceding the date of incurring debt.

The City calculates its present borrowing base and borrowing capacity as follows:

	<u>Gross</u> ⁽¹⁾	<u>Exclusions</u> ⁽²⁾	<u>Net</u>
Revenues for 2001	\$ 47,063,730	\$ 4,954,695	\$ 42,109,035
Revenues for 2002	48,065,985	2,845,641	45,220,344
Revenues for 2003	<u>55,128,180</u>	<u>3,617,572</u>	<u>51,510,608</u>
Total Revenues - Past Three Years	<u>\$ 150,257,895</u>	<u>\$ 11,417,908</u>	<u>\$ 138,839,987</u>
Annual Arithmetic Average (Borrowing Base)			<u>\$ 46,279,996</u>

Under the Debt Act as presently in effect: 1) new nonelectoral debt may not be incurred if the net amount of such new nonelectoral debt plus all outstanding net nonelectoral debt would cause total net nonelectoral debt to exceed 250% of the Borrowing Base; and 2) new lease rental debt or new nonelectoral debt may not be incurred if the net amount of such new debt plus all outstanding net nonelectoral debt and net lease rental debt would cause the total net nonelectoral plus net lease rental debt to exceed 350% of the Borrowing Base. The application of the aforesaid percentages to the City's Borrowing Base produces the following products:

	<u>Legal Limit</u>	<u>Net Bonded Debt Outstanding</u>	<u>Remaining Borrowing Capacity</u>
Net Nonelectoral Debt Limit:			
250% of Borrowing Base	\$ 115,699,990	\$ 80,500,314 ⁽³⁾	\$ 35,199,676
Net Nonelectoral and Lease Rental Debt Limit:			
350% of Borrowing Base	\$ 161,979,986	\$ 97,605,314 ⁽⁴⁾	\$ 64,374,672

⁽¹⁾ General Fund total revenues, plus other financing sources.

⁽²⁾ Exclusions represent non-recurring or subsidized receipts.

⁽³⁾ Net Bonded Debt Outstanding includes: \$1,608,263 General Obligation Bonds, Series A of 1995; \$860,000 General Obligation Bonds, Series B of 1995; \$7,975,000 General Obligation Bonds, Series A1 of 1997; \$33,475,045 General Obligation Refunding Bonds, Series D of 1997; \$35,954,206 General Obligation Refunding Notes, Series F of 1997 and \$627,800 Pennsylvania Infrastructure Bank Notes. Net bonded debt outstanding does not include portions of general obligation bonds which are payable from enterprise funds of the City or credits and exclusions from debt pursuant to the Debt Act.

⁽⁴⁾ Incorporates note (3) above, plus \$105,000 Harrisburg Leasing Authority Lease Revenue Bonds, Series of 1997, expected to be repaid through general property taxes and \$17,000,000 of The Harrisburg Authority Guaranteed Resource Recovery Notes, Series A of 2002.

Sources: City's audited basic financial statements and annual debt statement filings with the Commonwealth; exclusions per City's Bureau of Financial Management

CITY OF HARRISBURG, PENNSYLVANIA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

As of December 31, 2003

<u>Direct Bonded Debt</u>	Gross Bonded Debt <u>Outstanding</u> ⁽¹⁾	Credits/ <u>Exclusions</u> ⁽²⁾	Net Bonded Debt <u>Outstanding</u>
<u>Primary Government:</u>			
General Obligation Bonds, Series A of 1995	\$ 1,625,000	\$ 16,737	\$ 1,608,263
General Obligation Bonds, Series A & B of 1995	20,998,997	20,138,997	860,000
General Obligation Bonds, Series A1 of 1997	7,975,000	-	7,975,000
General Obligation Refunding Bonds, Series D of 1997	33,475,045	-	33,475,045
General Obligation Refunding Bonds, Series E of 1997	1,205,000	1,205,000	-
General Obligation Refunding Notes, Series F of 1997	35,954,206	-	35,954,206
Guaranteed Lease Revenue Notes of 1997	105,000	-	105,000
Pennsylvania Infrastructure Bank Notes	627,800	-	627,800
Total Primary Government	<u>\$ 101,966,048</u>	<u>\$ 21,360,734</u>	<u>\$ 80,605,314</u>
<u>Component Units:</u>			
The Harrisburg Authority:			
Sewer Revenue Refunding Bonds, Series of 1984	\$ 2,455,000	\$ 2,455,000	\$ -
Sewer Revenue Refunding Bonds, 2 nd , & 3 rd Series of 1989	15,575,000	15,575,000	-
Sewer Revenue Refunding Bonds, Series of 1992	15,575,000	15,575,000	-
Guaranteed Sewer Revenue Notes Series A, B and C of 1998	2,704,860	2,704,860	-
Water Revenue Bonds, Series A of 1994	31,440,000	31,440,000	-
Water Revenue Bonds, Series A of 2001	6,925,000	6,925,000	-
Water Revenue Bonds, Series A of 2003	56,535,000	56,535,000	-
Water Revenue Bonds, Series A, B, C, and D of 2002	48,825,000	48,825,000	-
Guaranteed Resource Recovery Facility Revenue Bonds, Series A of 1998	11,970,000	11,970,000	-
Guaranteed Resource Recovery Facility Revenue Bonds, Series A, D, E and F of 2003	147,555,000	147,555,000	-
Guaranteed Resource Recovery Notes, Series A of 2002	17,000,000	-	17,000,000
Guaranteed Resource Recovery Notes, Series B & C of 2003	53,370,000	53,370,000	-
Less: Deferred Loss on Refunding/Unamortized Discount	(37,315,489)	(37,315,489)	-
Total The Harrisburg Authority	<u>\$ 372,614,371</u>	<u>\$ 355,614,371</u>	<u>\$ 17,000,000</u>
Harrisburg Parking Authority:			
Guaranteed Parking Revenue Bonds, Series K of 2000	\$ 11,800,000	\$ 11,800,000	\$ -
Guaranteed Parking Revenue Bonds, Series J of 2001	29,395,000	29,395,000	-
Guaranteed Parking Revenue Bonds, Series of 2001	19,075,000	19,075,000	-
Guaranteed Parking Revenue Bonds, Series N of 2003	7,905,000	7,905,000	-
Guaranteed Parking Revenue Bonds, Series O of 2003	17,780,000	17,780,000	-
Less: Deferred Loss on Refunding/Unamortized Discount	(3,091,025)	(3,091,025)	-
Total Harrisburg Parking Authority	<u>\$ 82,863,975</u>	<u>\$ 82,863,975</u>	<u>\$ -</u>
Total Component Units	<u>\$ 455,478,346</u>	<u>\$ 438,478,346</u>	<u>\$ 17,000,000</u>
<u>Potential Component Units Excluded:</u>			
Harrisburg Redevelopment Authority:			
Guaranteed Revenue Bonds, Series A and B of 1998	\$ 23,637,283	\$ 23,637,283	\$ -
Guaranteed Revenue Bonds, Series 2001	19,885,000	19,885,000	-
Total Harrisburg Redevelopment Authority	<u>\$ 43,522,283</u>	<u>\$ 43,522,283</u>	<u>\$ -</u>
Harristown Development Corporation:			
Lease Revenue Bonds, Series of 1992	\$ 9,294,773	\$ 9,294,773	\$ -
Total Potential Component Units Excluded	<u>\$ 52,817,056</u>	<u>\$ 52,817,056</u>	<u>\$ -</u>
Total Direct Bonded Debt	<u>\$ 610,261,450</u>	<u>\$ 512,656,136</u>	<u>\$ 97,605,314</u>

(Continued)

CITY OF HARRISBURG, PENNSYLVANIA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT

As of December 31, 2003

(Continued)

<u>Overlapping Bonded Debt</u>	Gross Bonded Debt <u>Outstanding</u> ⁽¹⁾	Credits/ <u>Exclusions</u> ⁽²⁾	Net Bonded Debt <u>Outstanding</u>
Harrisburg Area Community College Bonds ⁽³⁾	\$ 711,159	\$ 355,580	\$ 355,579
Dauphin County Bonds and Notes ⁽⁴⁾	16,861,238	816,656	16,044,582
Harrisburg School District General Obligation Bonds and Notes	<u>191,620,000</u>	<u>27,262,850</u>	<u>164,357,150</u>
 Total Overlapping Bonded Debt	 <u>\$ 209,192,397</u>	 <u>\$ 28,435,086</u>	 <u>\$ 180,757,311</u>
 Total Direct and Overlapping Bonded Debt	 <u><u>\$ 819,453,847</u></u>	 <u><u>\$ 541,091,222</u></u>	 <u><u>\$ 278,362,625</u></u>

⁽¹⁾ Gross Bonded Debt Outstanding does not include \$3,900,000 Section 108 promissory notes.

⁽²⁾ Credits/Exclusions represent all bonds which are not general obligation bonds of the City and are self-liquidating under the PA Local Government Unit Debt Act, portions of general obligation and lease revenue bonds which are payable from enterprise funds of the City, and bonds issued to fund unfunded actuarial accrued pension liability.

⁽³⁾ Pro Rata 6.38% of 22 school districts' share of Pennsylvania State Public School Bonds: Series of 1995 and 1998 - \$11,146,700.

⁽⁴⁾ Pro Rata 13% share of: General Authority Lease Rental Debt - 1992, 1998, 2001 & 2003 - \$13,750,695; General Obligation Bonds- \$95,475,000; General Obligation Notes- \$9,435,000; Revenue Notes- \$850,014 and Revenue Bonds- \$3,500,000.

Sources: City's audited basic financial statements and annual debt statement filings with the Commonwealth; Officials of Harrisburg Community College, Dauphin County and Harrisburg School District.

CITY OF HARRISBURG, PENNSYLVANIA

RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT
TO TOTAL GENERAL GOVERNMENT EXPENDITURES
1994 -2003

<u>Year</u>	<u>Principal</u> ⁽¹⁾	<u>Interest</u> ⁽¹⁾	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u> ⁽²⁾	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1994	\$ 1,065,603	\$ 1,872,729	\$ 2,938,332	\$ 52,154,619	5.63
1995	905,576	1,787,145	2,692,721	71,142,654 ⁽³⁾	3.78
1996	1,276,713	3,359,877	4,636,590	57,531,396	8.06
1997	1,630,000	3,153,176	4,783,176	51,119,515	9.36
1998	849,271	2,675,508	3,524,779	62,819,807	5.61
1999	5,263,275 ⁽⁴⁾	2,526,858	7,790,133 ⁽⁴⁾	68,436,680	11.38
2000	6,886,743	1,220,436	8,107,179	77,776,117	10.42
2001	7,192,674	854,761	8,047,435	72,225,237	11.14
2002	7,641,445	605,673	8,247,118	68,045,565	12.12
2003	7,820,630	347,008	8,167,638	69,114,821	11.82

(1) Amounts do not include Section 108 Loan payments.

(2) Includes those expenditures recorded in the General, Special Revenue, Debt Service and Capital Projects Funds for 1994-2002, and adds Other Governmental Funds beginning in 2003.

(3) Excludes payoff of \$25,000,000 General Obligation Note - Series A of 1992.

(4) Principal retirements increased approximately \$2.3 million on the 1995 Unfunded Pension Liability Bonds, Series A and B, and approximately \$2.3 million on the 1997 General Obligation issues, Series D, E, F and G.

Source: City's audited basic financial statements

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF REVENUE BOND COVERAGE - PRIMARY GOVERNMENT
LEASE REVENUE BONDS - HARRISBURG LEASING AUTHORITY
1994 - 2003

<u>Year</u>	<u>Gross Revenue</u>	<u>Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	\$ 431,660	\$ 22,054	\$ 409,606	\$ 235,000	\$ 77,820	\$ 312,820	1.31
1995	387,648	22,054	365,594	225,000	67,976	292,976	1.25
1996	519,487	192,350	327,137	245,000	54,977	299,977	1.09
1997	439,548	22,893	416,655	255,000	63,179	318,179	1.31
1998	333,274	23,270	310,004	190,000	59,771	249,771	1.25
1999	344,210	22,270	321,940	200,000	70,132	270,132	1.19
2000	329,267	22,270	306,997	195,000	85,163	280,163	1.10
2001	267,130	19,997	247,133	205,000	19,796	224,796	1.10
2002	241,421	29,146	212,275	210,000	16,703	226,703	0.94
2003	110,051	5,725	104,326	100,000	8,472	108,472	0.96

Note:

In 1996, amounts that were held for the Incinerator Fund's share of this debt were released to defease its portion of debt service.

Source: Harrisburg Leasing Authority audited basic financial statements

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF REVENUE BOND COVERAGE - COMPONENT UNIT
THE HARRISBURG AUTHORITY
1994 - 2003

<u>Year</u>	<u>Revenue</u>		<u>Net Revenue Available for Debt Service ⁽³⁾</u>	<u>Debt Service Requirements ⁽⁴⁾</u>			<u>Coverage</u>
	<u>Available ⁽¹⁾</u>	<u>Expenses ⁽²⁾</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	33,564,049	18,497,383	15,066,666	3,420,000	15,294,495	18,714,495	0.81
1995	36,843,581	19,462,926	17,380,655	3,355,000	15,432,888	18,787,888	0.93
1996	43,339,509	20,504,533	22,834,976	5,061,283	14,169,439	19,230,722	1.19
1997	42,674,245	21,852,554	20,821,691	5,741,173	14,382,871	20,124,044	1.03
1998	47,068,036	23,001,972	24,066,064	3,425,000	13,640,845	17,065,845 ⁽⁵⁾	1.41
1999	48,957,458	23,747,335	25,210,123	10,112,764	15,686,501	25,799,265 ⁽⁶⁾	0.98
2000	49,234,236	23,492,004	25,742,232	8,487,076	15,219,564	23,706,640	1.09
2001	48,793,498	23,401,729	25,391,769	6,438,770	16,493,037	22,931,807	1.11
2002	44,139,889 ⁽⁷⁾	24,992,334 ⁽⁸⁾	19,147,555	8,154,595	16,053,383	24,207,978	0.79
2003	44,302,686 ⁽⁹⁾	23,273,951 ⁽⁹⁾	21,028,735	4,165,547	14,275,532	18,441,079 ⁽¹⁰⁾	1.14

⁽¹⁾ Includes total operating and nonoperating revenues. Also includes surplus carryover from prior year(s), representing beginning of year unrestricted cash and cash equivalents as revenue available for debt service, as well as current year deposits to certain debt service funds restricted for subsequent year's debt service.

⁽²⁾ Includes total operating expenses excluding depreciation, and total nonoperating expenses excluding interest expense and amortization.

⁽³⁾ Nonrecurring or extraordinary items of revenue or expense have not been included in determining net revenue available for debt service.

⁽⁴⁾ Includes debt service requirements on bonds and notes outstanding. Excludes lump sum payoffs or defeasances.

⁽⁵⁾ On August 27, 1998, the Authority issued \$55,765,000 Guaranteed Resource Recovery Facility Refunding Revenue Bonds, Series A, B, C and D of 1998, to refinance all existing resource recovery bonded debt. Therefore, no principal, and less interest, was paid during 1998 related to resource recovery bonded debt.

⁽⁶⁾ Includes full year's debt service on the following debt issues: \$55,765,000 Guaranteed Resource Recovery Refunding Revenue Bonds, Series A, B, C and D of 1998; \$24,000,000 Office and Parking Revenue Bonds, Series A and B of 1998; and \$1,515,173 Guaranteed Sewer Revenue Notes, Series A, B, and C of 1998.

⁽⁷⁾ Decline in revenue is primarily due to a temporary shutdown of the Resource Recovery Facility and a decline in Water and Sewer Fund revenues due to water conservation measures imposed due to drought.

⁽⁸⁾ Expenses increased during 2002 due to unanticipated maintenance and waste hauling expenses incurred because of the required shutdown of the Resource Recovery Facility.

⁽⁹⁾ Decline in revenues continued and expenses decreased in 2003 due to the planned shutdown of the Resource Recovery Facility on June 18, 2003, to undertake a complete retrofit of the Facility.

⁽¹⁰⁾ In July 2002, the Authority issued \$48,825,000 Water Revenue Refunding Bonds, Series A, B, C and D of 2002. A portion of this series was used to prepay the 2003 principal payments due on the Water Revenue Bonds, Series of 1994.

Source: City's and component unit's audited basic financial statements

CITY OF HARRISBURG PENNSYLVANIA

SCHEDULE OF REVENUE BOND COVERAGE - COMPONENT UNIT

HARRISBURG PARKING AUTHORITY AND

COORDINATED PARKING FUND

1994 - 2003

<u>Year</u>	<u>Gross Revenue</u> ⁽¹⁾	<u>Expenses</u> ⁽²⁾	<u>Net Revenue Available for Debt Service</u> ⁽³⁾	<u>Debt Service Requirements</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1994	\$ 6,459,933	\$ 3,323,540	\$ 3,136,393	\$ 710,000 ⁽⁴⁾	\$ 1,905,886	\$ 2,615,882	1.20
1995	7,095,095	3,368,924	3,726,171	1,020,000	2,146,255	3,166,255	1.18
1996	7,125,398	3,789,451	3,335,947	1,075,000	2,095,520	3,170,520	1.05
1997	7,280,679	3,560,298	3,720,381	1,125,000	2,011,547	3,136,547	1.19
1998	8,110,671	3,753,569	4,357,102	1,180,000	2,210,487	3,390,487	1.29
1999	9,148,553	4,842,067	4,306,486	1,255,000	2,771,656	4,026,656	1.07
2000	9,816,581	5,442,946	4,373,635	1,325,000	2,831,111	4,156,111	1.05
2001	10,004,067	5,107,934	4,896,133	1,400,000	2,923,112	4,323,112	1.13
2002	13,381,419 ⁽⁵⁾	6,641,803 ⁽⁶⁾	6,739,616	1,475,000	4,293,067	5,768,067 ⁽⁷⁾	1.17
2003	12,957,784	7,012,669	5,945,115	2,195,000	4,292,516	6,487,516	0.92

(1) Includes total operating and nonoperating revenues.

(2) Includes total operating expenses excluding depreciation, and total nonoperating expenses excluding interest expense and amortization.

(3) Nonrecurring extraordinary items of revenue or expense have not been included in determining net revenue available for debt service.

(4) Does not include \$25,535,783 deposited in escrow from proceeds of the issuance of \$26,860,000 Guaranteed Parking Revenue Bonds, Series G and H of 1994, to advance refund \$24,045,000 of outstanding Guaranteed Parking Revenue Bonds, Series C, D, and E.

(5) Includes approximately \$2.5 million in additional public parking revenue from the addition of two new garages completed in 2001 (River Street) and 2002 (City Island) and approximately \$820,000 in additional office rental revenue.

(6) Includes approximately \$338,000 in new office expense, \$452,687 in losses on the abandonment of a planned third parking garage and \$347,000 in additional distributions to the City from the Coordinated Parking Fund.

(7) Includes approximately \$1.0 million in additional interest expense from the Guaranteed Parking Revenue Bonds Series of 2001 dated December 15, 2001.

Source: City's and component unit's audited basic financial statements

CITY OF HARRISBURG, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

1994 - 2003

Trends in Labor Force, Employment and Unemployment

Dauphin County

<u>Year</u>	<u>Civilian Labor Force (000)</u>	<u>Employment (000)</u>	<u>Unemployment (000)</u>	<u>Unemployment Rate (%)</u>
1994	133.1	126.7	6.4	4.8
1995	133.9	128.6	5.3	4.0
1996	138.3	133.5	4.8	3.5
1997	140.3	135.4	4.9	3.5
1998	139.2	134.9	4.3	3.1
1999	138.8	133.6	5.2	3.8
2000	137.3	133.2	4.1	3.0
2001	139.8	134.5	5.2	3.7
2002	145.5	139.2	6.3	4.4
2003	143.7	137.7	6.0	4.2

Pennsylvania

<u>Year</u>	<u>Civilian Labor Force (000)</u>	<u>Employment (000)</u>	<u>Unemployment (000)</u>	<u>Unemployment Rate (%)</u>
1994	5,829.0	5,468.0	361.0	6.2
1995	5,838.0	5,495.0	343.0	5.9
1996	5,903.0	5,590.0	313.0	5.3
1997	5,984.0	5,673.0	311.0	5.2
1998	5,936.0	5,661.0	275.0	4.6
1999	5,969.0	5,707.0	262.0	4.4
2000	5,972.0	5,722.0	250.0	4.2
2001	6,073.0	5,786.0	287.0	4.7
2002	6,290.0	5,934.0	356.0	5.7
2003	6,170.0	5,826.0	344.0	5.6

Source: PA Department of Labor and Industry, Bureau of Research and Statistics

CITY OF HARRISBURG, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

1900 - 2000

Population Trends

<u>Year</u>	<u>City of Harrisburg Population</u>	<u>Percent Increase (Decrease)</u>	<u>Harrisburg MSA Population</u>	<u>Percent Increase (Decrease)</u>
1900	50,167	0.00 %	191,050	0.00 %
1910	64,186	27.94	191,050	0.00
1920	75,917	18.28	234,569	22.78
1930	80,339	5.82	250,211	6.67
1940	83,893	4.42	275,429	10.08
1950	89,544	6.74	317,023	15.10
1960	79,697	(11.00)	371,653	17.23
1970	68,061	(14.60)	410,626	10.49
1980	53,264	(21.74)	447,660	9.02
1990	52,376	(1.67)	546,814	22.15
2000	48,950	(6.54)	629,401	15.10

Note:

Harrisburg MSA - Harrisburg Metropolitan Statistical Area consists of Cumberland, Dauphin, Perry and Lebanon Counties.

Source: U.S Bureau of the Census, Decennial Census and final 2000 Census Report; Demographics USA, County Edition; PA State Data Center

CITY OF HARRISBURG, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

2003

City of Harrisburg Employees at December 31, 2003

<u>Department</u>	<u>Office/ Bureau</u>	<u>Number of Employees</u>	<u>Department</u>	<u>Office/ Bureau</u>	<u>Number of Employees</u>
General Government			Public Safety		
	City Council	9		Parking Enforcement Unit	14
	Office of Mayor	10		Office of Police Chief	10
	Office of City Controller	4		Police Operations Division	122
	Office of City Treasurer	9		Police Service Division	37
	Office of City Solicitor	7		Criminal Investigation Division	37
	Human Relations Commission	3		Fire	<u>100</u>
	Office of City Engineer	6			320
	Mayor's Office for Special Projects	4			
	Mayor's Office for Economic Development	<u>5</u>			
		57			
Administration			Public Works		
	Office of Director	4		Office of Director	1
	Insurance and Risk Management	3		Neighborhood Services	
	Financial Management	10		City Services	19
	Information Technology	18		Traffic Engineering	9
	Human Resources	7		Vehicle Management	17
	Mayor's Office for Labor Relations	3		Building Maintenance	11
	Operations and Revenue	<u>28</u>		Water	40
		73		Neighborhood Services	
				Sanitation	30
				Sewerage	<u>42</u>
					169
Building and Housing Development			Parks and Recreation		
	Office of Director	1		Office of Director	8
	Planning	5		Recreation	8
	Codes Enforcement	24		Parks Maintenance	<u>25</u>
	Neighborhood Development	<u>16</u>			41
		46			
			Incineration and Steam Generation Operations		15
			Total Employees		<u><u>721</u></u>

Source: City's Bureau of Information Technology

CITY OF HARRISBURG, PENNSYLVANIA

DEMOGRAPHIC STATISTICS

2003

Police Information:

Police Bureau Complement:

Officers by Rank:	
Patrol Officers	121
Investigators	19
Corporals	11
Sergeants	8
Lieutenants	6
Captains	3
Chief of Police	1
Total Police Officers	<u>169</u>
Calls for Service	50,034

Crimes by Type:

Homicide	9
Rape	24
Robbery	267
Assault	256
Burglary	481
Theft	1635
Motor Vehicle Theft	137
Arson	26
Total Crimes by Type	<u>2,835</u>

Fire Information:

Fire Bureau Compliment:

Personnel by Rank:	
Firefighters	77
Assistant Mechanics	2
Master Mechanics	1
Chief Clerks	1
Fire Inspectors	2
Training Officers	1
Lieutenants	8
Captains	4
Battalion Chiefs	4
Senior Deputy Chiefs	1
Deputy Chief	1
Fire Chiefs	1
Total Fire Bureau Compliment	<u>103</u>

Calls for Service by Situation Found:

Fire, Explosion	417
Over Pressure Rupture	11
Rescue Call	1,117
Hazardous Condition, Standby	251
Service Calls	221
Good Intent Calls	452
False Calls	809
Other	8
Total Calls for Service	<u>3,286</u>

Source: City's Bureaus of Police and Fire

CITY OF HARRISBURG, PENNSYLVANIA

CONSTRUCTION AND BANK DEPOSITS

1994 - 2003

<u>Year</u>	<u>Permit Fees</u>	<u>New Construction Residential</u>		<u>New Construction Commercial</u>	
		<u>Number of Permits</u>	<u>Total Cost</u>	<u>Number of Permits</u>	<u>Total Cost</u>
1994	\$ 276,078	12	\$ 520,879	7	\$ 4,811,638
1995	469,311	10	467,229	11	29,628,870
1996	413,575	10	533,846	9	6,749,479
1997	718,531	1	2,520	14	23,425,821
1998	544,182	4	133,550	9	3,737,721
1999	484,803	5	393,000	6	26,166,989
2000	712,298	34	3,270,738	8	10,163,312
2001	521,554	18	1,492,031	5	5,992,720
2002	737,848	26	1,599,120	6	17,187,309
2003	402,508	40	2,698,746	5	13,619,027

Source: City's Bureau of Information Technology

CITY OF HARRISBURG, PENNSYLVANIA

CONSTRUCTION AND BANK DEPOSITS

1994 - 2003

(Continued)

<u>Year</u>	Repairs, Alterations and Additions Residential		Repairs, Alterations and Additions Commercial		Demolition <u>Permits</u>	Bank <u>Deposits</u>
	<u>Number of Permits</u>	<u>Total Cost</u>	<u>Number of Permits</u>	<u>Total Cost</u>		
1994	1,176	\$22,775,896	339	\$ 30,471,319	60	\$ 2,091,439,000
1995	1,234	9,013,494	402	31,185,786	47	2,197,548,000
1996	1,383	13,415,326	429	38,548,700	65	2,417,640,000
1997	1,441	8,800,590	415	65,683,522	72	2,566,476,000
1998	1,610	16,009,178	441	59,866,708	115	2,668,459,000
1999	1,356	9,827,585	519	52,703,797	81	2,323,328,000
2000	1,251	9,737,969	504	72,748,719	61	2,367,136,000
2001	1,041	12,722,531	373	54,933,569	76	2,595,957,000
2002	1,132	9,932,336	391	79,027,282	46	2,794,027,000
2003	1,330	10,142,106	373	100,249,490	79	3,451,705,000

Sources: City's Bureau of Information Technology; bank deposits per PA Department of Commerce and Banking

CITY OF HARRISBURG, PENNSYLVANIA

PRINCIPAL REAL ESTATE TAXPAYERS

As of December 31, 2003

<u>Taxpayer</u>	<u>Type of Real Estate</u>	<u>Assessed Value</u> ⁽¹⁾	<u>Percent of Total Assessed Valuation</u>
Harristown Development Corp.	State Offices/Telephone Co.	\$ 144,344,200	8.61%
Pennsylvania Higher Education Assistance Agency ⁽²⁾	Offices	34,039,100	2.03%
ESL Inc/Penn National Realty Trust	Commercial Business	29,685,000	1.77%
Super Rite Foods Inc.	Commerical Business	24,088,100	1.44%
M&T Bank (formerly Allfirst Bank)	Bank/Offices	23,525,000	1.40%
Walnut & Third Inc.	Commercial Business	19,000,000	1.13%
Harrisburg Hilton and Towers	Commercial Business	18,523,000	1.10%
Susquehanna Chestnut Partners	Commercial Business	17,147,600	1.02%
Central Storage & Transfer Com.	Commercial Business	14,335,500	0.86%
Strawberry Square Associates	Commercial Business	<u>11,916,000</u>	<u>0.71%</u>
Totals		\$ 336,603,500	20.08%

⁽¹⁾ Reflects the result of a court-ordered County-wide reassessment effective January 1, 2002.

⁽²⁾ The sole tenant of this property, the Pennsylvania Higher Education Assistance Agency ("PHEAA"), exercised its option to purchase the property from Capitol Commercial Corporation at the end of 2002. The statute governing PHEAA states that the property of PHEAA shall be exempt from all taxes and assessments. However, PHEAA has agreed to make payments in lieu of taxes for the years 2003 through 2007, in annual amounts equal to taxes payable in 2002 on the property purchased by PHEAA. After 2007, PHEAA will make annual payments in lieu of taxes in amount equal to 65% of the amount payable in 2002.

Source: City's Bureau of Information Technology

CITY OF HARRISBURG, PENNSYLVANIA

TAX REVENUE BY SOURCE

1994 - 2003

<u>Year</u>	<u>Total Taxes</u>	<u>Property (Real Estate)</u> ⁽¹⁾	<u>Real Estate Transfer</u> ⁽²⁾	<u>Occupational Privilege</u> ⁽³⁾	<u>Earned Income</u> ⁽⁴⁾	<u>Business Privilege/ Mercantile</u> ⁽⁵⁾
1994	\$ 16,406,732	\$ 11,571,503	\$ 241,376	\$ 301,080	\$ 2,251,063	\$ 2,041,710
1995	16,662,379	11,426,765	262,074	298,198	2,470,858	2,204,484
1996	16,809,841	11,258,401	264,794	310,696	2,472,947	2,503,003
1997	16,777,025	10,954,734	394,629	324,385	2,623,607	2,479,670
1998	18,664,865	11,783,603 ⁽⁶⁾	1,304,609 ⁽⁶⁾	322,034	2,714,582	2,540,037
1999	17,725,513	11,279,490	439,203	328,014	2,895,306	2,783,500
2000	18,821,081	12,264,249 ⁽⁷⁾	372,838	343,212	3,015,003	2,825,779
2001	18,984,666	12,179,214	331,675	326,507	3,190,322	2,956,948
2002	20,712,704	13,594,940 ⁽⁸⁾	448,787	324,743	3,358,138	2,986,096
2003	21,363,287	13,618,418	850,269 ⁽⁹⁾	332,578	3,235,092	3,326,930 ⁽¹⁰⁾

⁽¹⁾ The Dauphin County Board of Assessments performs property tax assessments. The City levies the tax on 100% of the value assigned by the County. The tax within the City is levied as two rates (termed "Two-Rate Property Tax"): 24.414 mills on assessed value of land and 4.069 mills on the assessed value of all buildings and improvements to the land, whether residential, commercial or otherwise, for 2003. The combined effective millage rate for 2003 was 8.52 mills.

⁽²⁾ The City imposes a Real Estate Transfer Tax of 1% of the selling price or market value of real estate transferred within the City. This tax is collected by the County for which the County is paid a 2% commission on transfer taxes collected. The City shares this tax equally with the School District.

⁽³⁾ The City levies an annual Occupational Privilege Tax of \$10.00 per person for anyone working within the City. This tax is withheld by the employer and is allocated \$5.00 to the City and \$5.00 to the School District.

⁽⁴⁾ City residents pay an Earned Income Tax (EIT) of 1%, which tax is shared equally with the School District. Non-residents who work within the City and who do not pay an earned income tax to the municipality of their residence also pay the 1% EIT. This tax is administered by the Capital Tax Collection Bureau (CTCB) for which the CTCB is paid a 2.5% commission on the EIT collected. Since the EIT is withheld by the employer, a high level of compliance exists.

⁽⁵⁾ The City levies a Business Privilege and Mercantile Tax on gross receipts. The City shares equally the Mercantile portion of this tax with the School District. Additionally, there are taxes and fees levied on mechanical devices (pinball, billiard tables, video games, etc.) Also, a 10% Amusement Tax is levied on admission prices to places of amusement, entertainment or recreation within the City. The City shares this tax equally with the School District. A parking tax of 15% is also levied on the consideration paid by patrons of the City parking garages and lots.

⁽⁶⁾ Increase over 1997 primarily due to the sale of Forum Place and the PA Department of Transportation Building to the Dauphin County General Authority.

⁽⁷⁾ Real estate tax revenue increased approximately \$1.1 million due to a tax rate increase, the City's first increase since 1988.

⁽⁸⁾ Real estate tax billing increased over \$1.3 million due to a court ordered county-wide reassessment, the first such reassessment since 1972. This action increased taxable property assessments by nearly 100%, effective January 1, 2002.

⁽⁹⁾ Many properties were transferred within the City in 2003 due to favorable mortgage rates.

⁽¹⁰⁾ The Parking Tax was increased from 10% to 15% in 2003, producing approximately \$400,000 in new revenue.

Source: City's audited basic financial statements

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSURANCE IN FORCE

<u>Company</u>	<u>Details of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage Limits</u>	<u>Deductibles</u>	<u>Premium</u>
St. Paul	Package Policy: Property (Building & Personal Property)	GP09310795	7/1/03 - 7/1/04	Blanket Real & Personal Property Loss Limit \$131,053,666	Property -\$25,000 per event	\$1,240,290
	Boiler & Machinery			Boiler & Machinery -Included in Loss Limit	Boiler & Machinery -\$25,000 per event	
	Contractor's Equipment			Contractor's Equipment Limit \$2,016,192	Contractor's \$5,000 per occurrence	
	Radio & Television Stations			-\$230,000	\$1,000	
	Fine Arts			Fine Arts -\$565,875	Fine Arts \$5,000 per occurrence	
	Difference in Conditions			Catastrophe -\$1,000,000 Earthquake -\$1,000,000 Flood -\$1,000,000	Catastrophe - Nil Earthquake - \$50,000 per occurrence Flood - \$50,000 per occurrence except those locations with flood insurance	
	Employee Benefit Plans - Claims Made Coverage - No retroactive date			Employee Benefit Plans - \$3,000,000 total limit -\$1,000,000 each act	Employee Benefit Plans -\$1,000	
	Employment Practices Liability Claims Made - Retroactive Date: 07/01/97			Employment Practices Liability -\$1,000,000 total limit -\$1,000,000 each wrongful offense	Employment Practices Liability -\$25,000	
	Public Entity Management Liability Claims-Made Retroactive Date: 07/01/97			Public Entity Management Liability -\$1,000,000 total limit -\$1,000,000 each wrongful act	Public Entity Management Liability -\$25,000	

Source: City's Office of Insurance and Risk Management

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSURANCE IN FORCE

<u>Company</u>	<u>Details of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage Limits</u>	<u>Deductibles</u>	<u>Premium</u>
St. Paul (con't)	Package Policy: (con't)	GP09310795	7/1/03 - 7/1/04			
	Government Crime			Government Crime Employee Theft -\$100,000 per loss Forgery/Alteration -\$50,000 per loss Theft of Money/ Securities Loss inside & Outside premises -\$100,000	Government Employee Theft -\$2,500 Forgery/Alteration -\$2,500 Theft of Money/ Securities - \$2,500 any occurrence	Included w/package
	General Liability Occurrence Form			General Liability Limit-\$2,000,000 Aggregate Limit-\$1,000,000 Each Event	General Liability -\$25,000 per occurrence	Included w/package
	Business Auto			Business Auto Combined Single Limit - \$1,000,000 Comprehensive & Collision Coverage for all City vehicles	Business Auto Physical Damage Deductibles: -\$1,000 - Non Emergency Vehicles -\$3,000 - Emergency Vehicles	Included w/package
	Law Enforcement Liability			Law Enforcement Liability Total Limit -\$2,000,000 Each Wrongful Act -\$1,000,000	Law Enforcement -\$25,000 each act	Included w/package
	Umbrella Excess	GP0938257		Umbrella Excess General Total Limit -\$3,000,000 Each Event Limit -\$3,000,000	Umbrella Excess -\$10,000 each act	Included w/package
	Excess E & O Claims Made			Excess E & O Total Limit -\$3,000,000		Included w/package

Source: City's Office of Insurance and Risk Management

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSURANCE IN FORCE

<u>Company</u>	<u>Details of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage Limits</u>	<u>Deductibles</u>	<u>Premium</u>
ACE Westchester Surplus Lines (50%) Commonwealth (50%)	HRRF - Property	D35876807	6/18/03 to 6/18/04	Blanket Real & Personal Property \$10,000,000 Earthquake/Flood Aggregate \$10,000,000 Business Income w/Extra Expense \$10,000,000 Service Interruption	All Perils & Coverages -\$250,000 Time Element -30 days Business Income -30 days	\$152,256
CNA Insurance Company	HRRF Boiler & Machinery	BM1098664197	9/10/03 to 6/18/04	Property Damage per accident - \$10,000,000 Water Damage \$1,000,000 Ammonia Contamination \$1,000,000 Expediting Expenses \$1,000,000 Hazardous Substance \$1,000,000 Ordinance or Law \$1,000,000	All Perils & Coverages -\$250,000	\$8,000
Greenwich	HRRF Pollution Legal Liability Claims Made	PEC000082503	1/28/03 - 1/28/04	-\$1,000,000 per occurrence -\$2,000,000 aggregate	\$25,000 each loss	\$32,607

Source: City's Office of Insurance and Risk Management

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSURANCE IN FORCE

<u>Company</u>	<u>Details of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage Limits</u>	<u>Deductibles</u>	<u>Premium</u>
ACE	Fine Arts	12058984A	7/1/03-7/1/04	Insured Locations -25,000,000 Transit -\$2,000,000 Any un-named location -\$2,000,000	\$1,000	\$27,950
Gemini Insurance Company	Public Officials (The Harrisburg Authority) Claims Made	USR0100013	6/23/03 - 6/23/04	Aggregate -\$1,000,000 Each Loss -\$1,000,000	\$10,000 per occurrence	\$16,357
Safety National	Workers' Compensation Excess Coverage Employers' Liability	SP-6461-PA	1/1/03-1/1/04	Limits Each Accident -Statutory Employer Liability -\$1,000,000	Subject to a maximum retention of \$500,000	\$58,515
City of Harrisburg Partial Self-Insured	Workers' Compensation Self-Insured Portion		1/1/03 - 1/1/04	Medical - 1st Yr. \$110,000 2nd Yr. \$110,000 3rd Yr. \$110,000 Comprehensive Per Accident -\$400,000 -\$1,000,000 per occurrence	Actual Expense Incurred	
Highmark Casualty Insurance Company	Excess Health	400380-A	11/01/03-10/31/04	Specific Max Benefit -\$875,000 Aggregate Estimated Attachment Point -\$4,991,304 Covered Benefit Medical & Rx	\$125,000 Limit for medical only	\$19 per covered unit per month \$2 per covered unit per month

Source: City's Office of Insurance and Risk Management

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSURANCE IN FORCE

<u>Company</u>	<u>Details of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage Limits</u>	<u>Deductibles</u>	<u>Premium</u>
Federal Insurance Company	Police Pension Board Fiduciary Claims Made	8179-80-95	1/1/03 - 1/1/04	\$10,000,000	\$5,000 pending or prior date 1/01/00 - continuity date 1/1/00	\$27,000
Federal Insurance Company	Crime	8179-80-96	1/1/03 - 1/1/04	\$5,000,000	\$50,000	\$8,100
Traveler's Casualty & Surety	Hbg. Mayor's Commission on Literacy (D&O Coverage)	104178073	11/1/03-11/1/04	\$1,000,000	\$5,000	\$1,406

Source: City's Office of Insurance and Risk Management

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSURANCE IN FORCE

<u>Company</u>	<u>Details of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage Limits</u>	<u>Deductibles</u>	<u>Premium</u>
Selective	Control Building/ AWTF Flood Coverage	0000107489	5/31/03- 5/31/04	Building \$471,500 Contents \$310,400	\$1,000 per occurrence	\$ 7,149
Selective	Cogeneration Building/AWTF Flood Coverage	0000115075	11/29/03 - 11/29/04	Building \$389,700 Contents \$281,500	\$500 per occurrence	\$ 2,540
Selective	Return Sludge Pumping Station/ AWTF Flood Coverage	0000115078	11/29/03 - 11/29/04	Building \$389,700 Contents \$281,500	\$1,000 per occurrence	\$ 5,465
Selective	Settled Sewage Pumping Station/ AWTF Flood Coverage	0000107488	5/31/03 - 5/31/04	Building \$471,500 Contents \$310,400	\$1,000 per occurrence	\$ 7,149
Selective	Chemical Storage Building/AWTF Flood Coverage	0000107487	5/31/03 - 5/31/04	Building \$471,500 Contents \$310,400	\$1,000 per occurrence	\$ 5,840
Selective	Plant Drain Pumping Station/ AWTF Flood Coverage	0000107485	5/31/03 - 5/31/04	Building \$471,500 Contents \$169,600	\$1,000 per occurrence	\$ 5,529
Selective	Maintenance Building/AWTF Flood Coverage	0000115077	11/29/03 - 11/29/04	Building \$389,700 Contents \$ 37,700	\$1,000 per occurrence	\$ 3,522
Selective	Garage & Storage Building/AWTF Flood Coverage	0000115076	11/29/03 - 11/29/04	Building \$389,700 Contents \$ 56,400	\$1,000 per occurrence	\$ 2,948
Selective	Digested Sludge Pump Station AWTF Flood Coverage	0000107486	5/31/03 - 5/31/04	Building \$471,500 Contents \$ 82,800	\$500 per occurrence	\$ 2,680

Source: City's Office of Insurance and Risk Management

CITY OF HARRISBURG, PENNSYLVANIA

SCHEDULE OF INSURANCE IN FORCE

<u>Company</u>	<u>Details of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Coverage Limits</u>	<u>Deductibles</u>	<u>Premium</u>
Selective	Compressor Building/ AWTF Flood Coverage	0000115079	11/29/03 - 11/29/04	Building \$285,200 Contents \$155,700	\$500 per occurrence	\$ 2,029
Selective	Boiler House/ AWTF Flood Coverage	0000115074	11/29/03 - 11/29/04	Building \$285,200 Contents \$295,600	\$500 per occurrence	\$ 2,314
Selective	Market Street & Conrail Underpass Pumping Station/ AWTF Flood Coverage	0000107481	6/2/03 - 6/2/04	Building \$259,200 Contents \$188,700	\$1,000 per occurrence	\$ 4,025
Selective	Electrical Equipment & Storage/City Island Flood Coverage	0000108689	6/2/03 - 6/2/04	Building \$69,000 Contents \$700	\$1,000 per occurrence	\$ 590
Selective	Fire House/ 336 S. Front Street Flood Coverage	0000107480	6/2/03 - 6/2/04	Building \$471,500 Contents \$5,100	\$500 per occurrence	\$ 1,721
Selective	Bath House/ City Island Flood coverage	0000107482	6/4/03 - 6/4/04	Building \$471,500 Contents \$ 0	\$1,000 per occurrence	\$ 2,519
Selective	123 Walnut St. McCormick Bldg. Harrisburg, PA	0000107484	6/22/03 - 6/22/04	Building \$471,500 Contents \$177,500	\$500 per occurrence	\$ 3,490
Selective	10 N. 2nd St. Martin Luther King City Gov't Ctr. Harrisburg, PA	0000107483	6/22/03 - 6/22/04	Building \$471,500 Contents \$177,500	\$500 per occurrence	\$ 3,490
Selective	Grit Building S. Cameron & Elliot St. Swatara Township	FLD0007299	6/7/03-6/7/04	Building \$164,700 Contents \$ 0	\$500 per occurrence	\$ 837

Source: City's Office of Insurance and Risk Management



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